



2022 ANNUAL REPORT

GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.

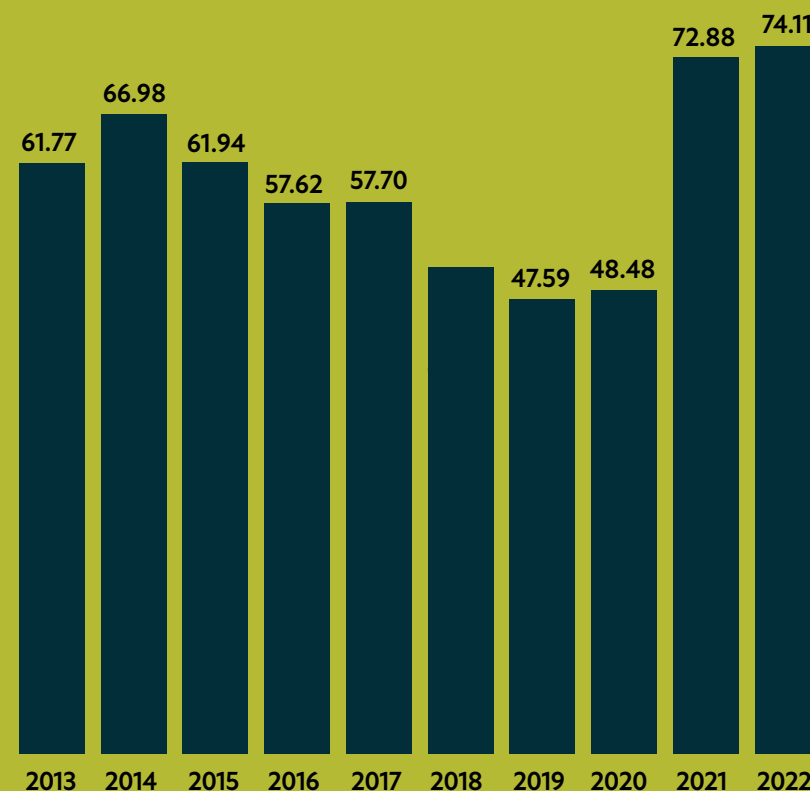


KEY DATA

	2022	2021
CONDENSED CONSOLIDATED INCOME STATEMENT DATA		
Operating Revenues	\$ 749,459,580	\$ 730,716,814
Operating Expenses	707,865,643	686,909,354
Operating Margins, Before Fixed Charges	41,593,937	43,807,460
Fixed Charges Before AFUDC	27,154,856	27,424,909
Non-Operating Margins	3,041,340	(696,606)
Net Margins	17,480,421	15,685,945
Total Assets	1,288,989,885	1,256,500,036
Long-Term Debt	566,913,140	643,826,554
Members' Equity	466,485,777	462,705,356
GSEC Properties - EBITDA	\$ 510,280	\$ 652,357
FINANCIAL RATIOS		
Total Equity/Total Assets (%)	36.19	36.82
Days Cash on Hand	115	104
Debt Service Coverage (DSC) Ratio	1.60	1.75
Debt/Funds Available for Debt Service	6.64	7.08
Equity/Capitalization (%)	42.81	41.66
OPERATING STATISTICS		
Average Sales Price/MWh	\$ 74.11	\$ 72.88
Energy Sales to Members (MWh) - SPP	6,449,964	6,072,522
Energy Sales to Members (MWh) - ERCOT	2,061,242	1,613,708
Energy Sales Pilot Rider C (MWh) - ERCOT	-	41
Energy Sales to Members (MWh) - Total	8,511,206	7,686,272
Member Peak Demand (MW) - SPP	1,378	1,383
Member Peak Demand (MW) - ERCOT	311	271
Member Peak Demand Rider C (MW) - ERCOT	-	-
Member Peak Demand (MW) - Total	1,689	1,654
Gas Purchased (MMBtu)	27,393,492	14,723,714

AVERAGE RATE TO MEMBERS

(IN DOLLARS PER MEGAWATT HOURS)



Average rate to Members fluctuates with changes in operating costs, margin requirements and commodity costs. The increases in 2021 and 2022 were due to natural gas prices, amortization of Winter Storm Uri costs and increases in plant maintenance expense.



Kari Hollandsworth, President and CEO
and Kelly Lankford, Board Chairman and President

PRESIDENT'S AND CHAIRMAN'S LETTER

We are entering a complicated period in the power industry. The energy sector is transitioning very quickly, with more renewable energy sources coming online every day. This brings cleaner energy, but it also invites storage issues because many of these sources cannot reliably generate power when needed.

As more renewable energy sources come online, fossil fuel units – including coal plants – are being retired. These retirements cause electric markets to lose a resilient resource because coal plants keep a supply of coal on site and operate in a dispatchable base-loaded manner. In addition to retirements of fossil fuel plants, the plants still online are aging, leading to increased variability of run times and more unplanned outages among this class of generator.

In order to bridge this gap, regulators are looking to natural gas plants. When there are interruptions in renewable supply, the demand for power from natural gas plants increases substantially, which leads to higher costs for the end user. In addition, natural gas plants are limited by gas availability and pipeline capacity.

These changes accelerate the transition of the electric grid in a way that may create long-term instability and volatility.

As regulators dictate this energy transition and increase our reliance on renewables, we need to deal with the consequences of a less reliable power grid. More regulations are coming to increase capacity requirements on utilities like Golden Spread, with the intent to address the reliability of our power system. However, it should be noted that building infrastructure to accommodate this transition comes with significant costs.

While no one is arguing that incorporating cleaner power is an undesirable outcome, Golden Spread believes there must be a balance in this endeavor. That balance can be found through the three Ts:

TECHNOLOGY

There are many opportunities to improve the technology around power generation, storage and use. As reliance on renewable energy sources increases, technologies will need to be deployed to fill the needs. The transition regulators are working toward will require a strategy that

embraces diverse electric generation sources to meet the nation's energy demands.

TRANSITION

This transition has many facets. Traditional power plants were built closer to load centers and could be dispatched to produce the power required. Favorable renewable resources are located in the middle of the nation, including our area, and the electricity will need to be transported to where it is needed. In addition, renewable resources are intermittent and depend on wind and sun. When these are not present, other sources of electricity will have to make up for the shortfall or electric use will have to be curtailed. It is important to allow utilities to navigate this transition without unduly increasing costs to consumers.

TIME

A successful energy transition will take time. Some of the most time-consuming elements of the transition will include:

- Developing new technology that is sustainable and reliable. For example, advancing and implementing storage technology.
- Building and updating transmission lines to transport energy.
- Transitioning to new energy generation resources without risking the reliability of the grid.

Extreme and rushed changes to our energy systems without proper planning have the potential for severe, adverse consequences.

A key to sound energy and environmental policy is to incorporate new approaches in the right place and levels, and we will continue to use the three Ts to assess our positions.

Golden Spread is adapting its strategy to accommodate the changing regulatory environment. For example, we have changed how we acquire power by incorporating more financial instruments on gas procurement. Our new strategic plan looks at our resource mix and works to find the optimal mix to meet regulatory requirements in an uncertain environment. This approach includes exploring opportunities to incorporate more distributed generation and resources that diversify our options.

These changing times also bring load growth in our Members' territories. Many energy-intensive projects are considering Golden Spread Members'

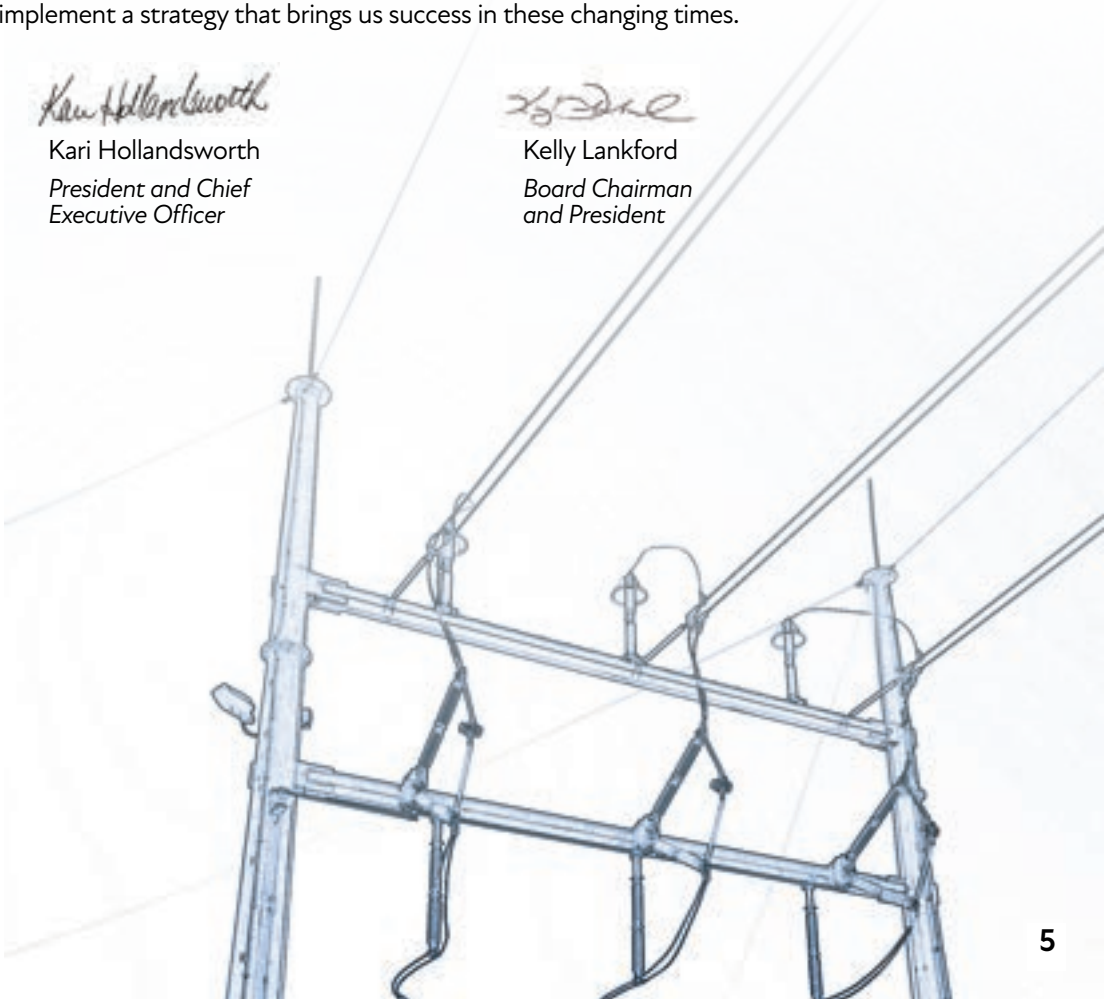
territories as a place to take advantage of the vast renewable resources we are fortunate to have. From cryptocurrency data centers to high-tech greenhouses, these loads seek to capitalize on the potential low-cost electricity, green resources and plentiful space for locating their projects. Many of these loads are requesting more power at a single location than the total energy consumption of some of our Members. We look forward to working with our Members to find long-term solutions to meet these new needs.

All in all, 2022 was a good year for Golden Spread. Sales slightly beat budget, and all of our plants are back in operation. We developed a contract structure for cryptocurrency data centers that meets the needs of the data centers and protects our Members from unintended consequences.

We look forward to serving you as we work with your Board of Directors to implement a strategy that brings us success in these changing times.

Kari Hollandsworth
President and Chief Executive Officer

Kelly Lankford
Board Chairman and President



STRATEGIC PLAN

The Golden Spread vision is to be trusted, innovative and flexible while bringing competitive energy solutions. In maintaining this vision, Golden Spread has several focus areas that help guide forward-looking strategy initiatives. Those strategic focus areas are load growth, rates design, transmission, generation portfolio, distributed energy resources and value-added services.

Every year in October, Golden Spread hosts a strategic planning session for the Board to network with thought leaders and hear presentations about industry opportunities and challenges. The session is an opportunity for Board Members to re-examine the key strategic focus areas and determine pivotal actions to be taken. Golden Spread constantly monitors and manages its strategic performance throughout each year, but 2022 marked the third year in its recurring strategic planning cycle, which requires further intense examination of the existing focus areas and actions to be taken within those areas.

“Carving out dedicated time to examine the landscape and trends is paramount as Golden Spread stays true to its vision of being trusted, innovative and flexible,” said Matt Moore, Vice President of Commercial

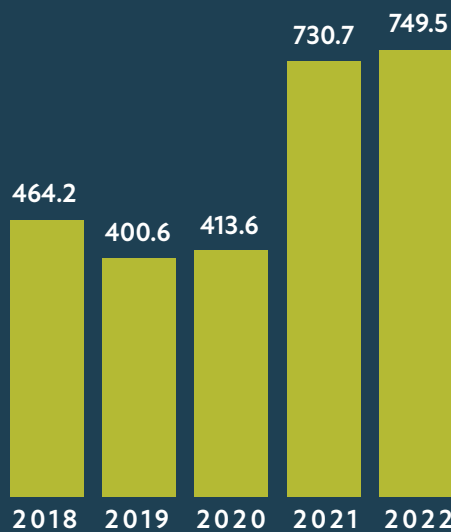
and Asset Operations. “The complexities and rapid changes of the industry require a comprehensive approach to managing strategy, and the Golden Spread Board plays an important role in this effort.”

During the 2022 strategy session, the Golden Spread Board heard presentations from Dr. Roger Tutterow of Kennesaw State University on the current economic, business and political landscape; operations executives from the Electric Reliability Council of Texas and the Southwest Power Pool regarding the ever-changing market design landscape; and finance executives from National Rural Utilities Cooperative Financial Corporation on environmental, social and governance topics. These speakers provide important situational awareness and various perspectives on industry trends.

Golden Spread continues to explore technological improvements for traditional power generation, the latest battery technology, wind and solar capabilities, distributed generation and demand response opportunities. This year’s session produced specific initiatives that will be examined and implemented. The initiatives from this cycle are more focused on regulatory capacity requirements, operational improvements for our assets and even a possible opportunity to explore a demand response program pilot.

OPERATING REVENUES

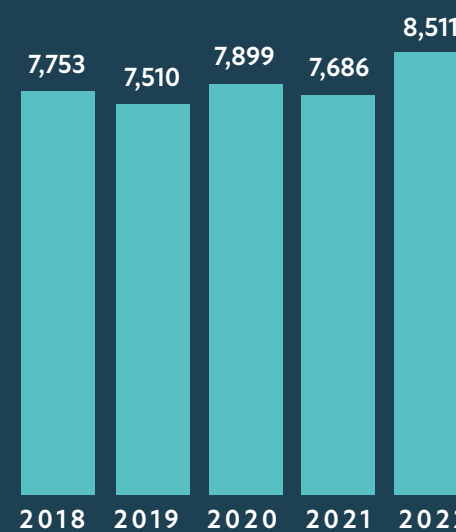
(IN MILLIONS OF DOLLARS)



Variations in operating revenues are due to the volume of kWh sales, Member rates and Board-approved margins.

SALES TO MEMBERS

(IN MILLIONS OF KILOWATT HOURS)



Members had significant load growth in 2022. In general, fluctuations in kWh sales to Members are caused by weather conditions, oil and gas production and agriculture activity.



EXECUTIVE TEAM (from left): Matt Moore, Vice President, Commercial and Asset Operations; Matt Lowe, Chief Financial and Risk Officer; Kari Hollandsworth, President and Chief Executive Officer; John Eichelmann, Vice President, Member Services and Power Delivery; James Guy, General Counsel, Chief Legal and Compliance Officer

LARGE FLEXIBLE LOAD TASK FORCE

Golden Spread has been an active participant in the Electric Reliability Council of Texas (ERCOT) Large Flexible Load Task Force. The task force is a non-voting body that reports directly to the ERCOT Technical Advisory Committee to provide recommendations relating to integrating Large Flexible Loads into the ERCOT system, considering policies related to planning, markets, operations and interconnection processes.

The task force has met bi-weekly since the second quarter of 2022, and Golden Spread has worked with stakeholders both as part of the scheduled meetings and in between meetings to help represent Members' interests.

This task force was started in response to the very large loads – 20 MW and above – coming online in ERCOT due to data center and

cryptocurrency projects. Golden Spread is beginning to see these large loads on Member systems, including projects in the Southwest Texas, Swisher and Lighthouse territories.

In ERCOT alone, there is 3,800 MW of load already online that qualifies as a Large Flexible Load, with another 37,000 MW in potential projects, comprising a sizeable share of ERCOT's 80,000 MW peak load. As more data centers and cryptocurrency projects come online, ERCOT must determine rules for these loads, and determine how to allocate power in case of reliability issues.

Golden Spread is working to position Members well for these opportunities while preventing some of the negative outcomes that can come with these large loads.



MUSTANG UNIT GENERATOR FORCED OUTAGE RESOLVED

Mustang Station Unit 3 had a forced outage on July 19, 2022, which caused disruption to the plant's operations. The outage was unexpected, considering that the generator had passed complete inspection and testing in April 2021, and additional testing in January 2022.

During site testing, it was discovered there was a generator ground fault somewhere in the field, which is the rotating part of the generator. The decision was made to pull the field out of the generator stator and ship it to GE for repair. This was no easy task.

GE discovered there was damage to a glass sleeve and a hair-sized piece of wire in a copper tube, which caused the ground fault. Both issues were fixed, and the unit was back in operation by December 2022.



ANTELOPE ELK ENERGY CENTER EARNS TWO AWARDS

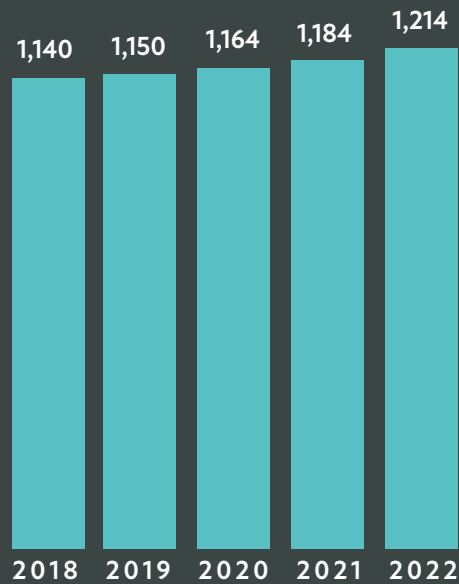
Antelope Elk Energy Center (AEEC) was named the 2022 Plant of the Year by NRG, the plant's third-party operator, for its excellent performance and safety record. The recognition was awarded in March 2023, at which time NRG noted that AEEC has achieved 11 years without a recordable safety incident and has an impressive start reliability of 100 percent.

AEEC also earned the Living the Model Award from NRG. This award recognizes a power plant's commitment to safety and the environment over production policies, willingness to share resources and collaborate, implementation and execution of new programs and follow-through on corrective actions.



INVESTMENT TO UTILITY PLANT IN SERVICE

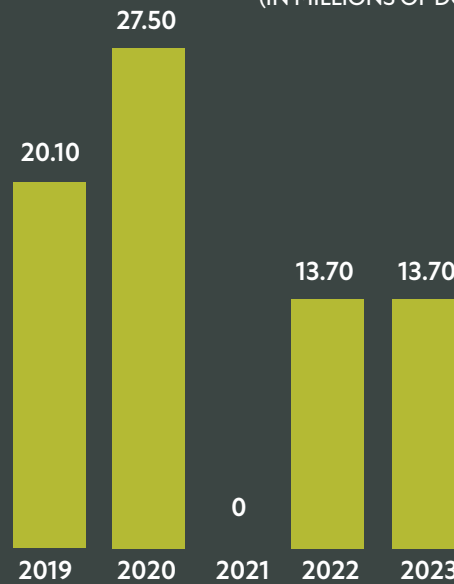
(IN MILLIONS OF DOLLARS)



Golden Spread primarily owns and operates a fleet of gas generators to meet our Members' energy needs.

PATRONAGE AND CONTRIBUTED CAPITAL DISTRIBUTIONS

(IN MILLIONS OF DOLLARS)



Golden Spread's Board of Directors maintained its patronage capital distribution level in 2023.

EDUCATING POLITICAL LEADERS AND BUILDING RELATIONSHIPS

Golden Spread works with legislators to advance the goals and protect the interests of Members. In 2022, Golden Spread Directors and staff met with numerous state legislators representing Member-Consumers either in person or virtually, and often more than once:

- Rep. Dustin Burrows
- Rep. Drew Darby
- Rep. Stan Lambert
- Sen. Charles Perry
- Rep. Four Price
- Rep. John Smithee
- Sen. Kevin Sparks
- Rep. Carl Tepper

Directors and staff also met with state legislators representing citizens outside of Member service areas when those legislators are involved in electric industry issues:

- Rep. Justin Holland
- Rep. Will Metcalf
- Sen. Robert Nichols
- Sen. Charles Schwertner

Golden Spread coordinated with a bipartisan group of 25 members of the U.S. House of Representatives' Texas delegation to urge the Federal Emergency Management Agency (FEMA) to clarify its approach to disaster assistance for small communities. The delegation sent a letter to FEMA Administrator Deanne Criswell noting the lack of clarity and high threshold for assistance and how those issues have negatively affected Golden Spread's Members.

FOSTERING RELATIONSHIPS THROUGH SUMMITS

In addition to one-on-one meetings, Golden Spread Directors and staff attended two summits in 2022 to continue nurturing relationships with lawmakers on important issues that affect Members.

WEST TEXAS LEGISLATIVE SUMMIT

The San Angelo Chamber of Commerce hosted the 18th Annual West Texas Legislative Summit. Golden Spread is a proud sponsor of the Summit and has been for several years.

The Summit was an excellent opportunity for regional leaders, community members and elected officials to discuss the issues affecting West Texas communities.

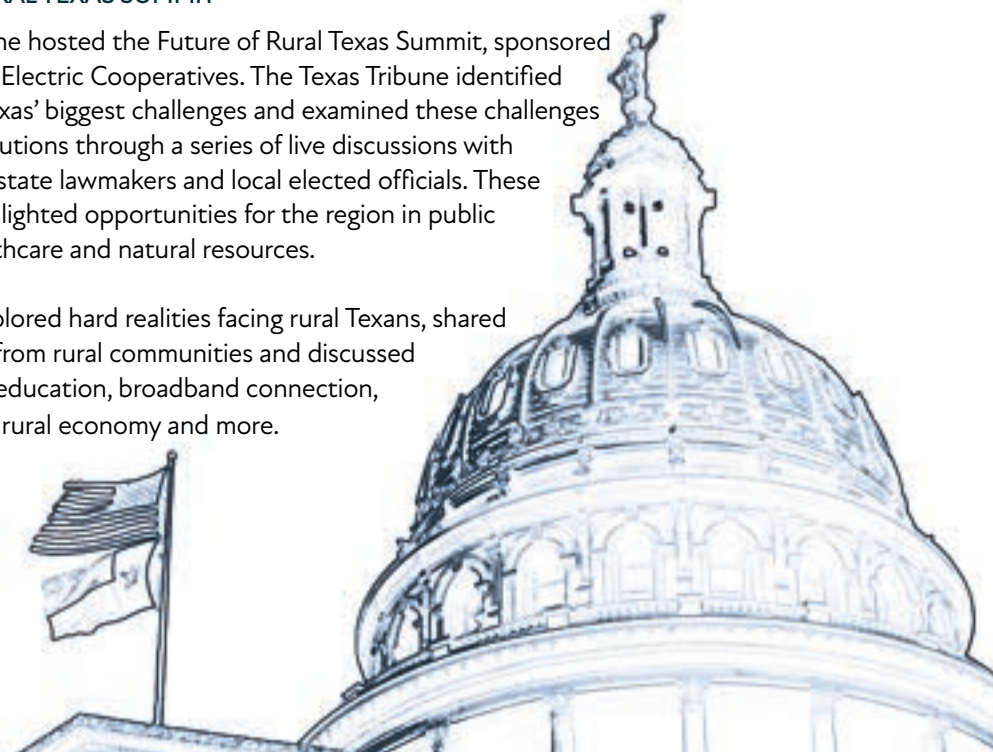
"West Texas is just as important as any other region of the state," Gov. Greg Abbott said. "Anything west of I-35 is just as important as anything east of I-35, and we will go into this next session making sure that the values that are core to West Texas are representative of the legislation that we pass to make Texas even better."

During the Summit, legislators discussed ways to unleash the energy abundance in the Permian Basin, rural healthcare and the infrastructure needs of rural communities.

FUTURE OF RURAL TEXAS SUMMIT

The Texas Tribune hosted the Future of Rural Texas Summit, sponsored in part by Texas Electric Cooperatives. The Texas Tribune identified some of rural Texas' biggest challenges and examined these challenges and possible solutions through a series of live discussions with federal leaders, state lawmakers and local elected officials. These discussions highlighted opportunities for the region in public education, healthcare and natural resources.

The Summit explored hard realities facing rural Texans, shared success stories from rural communities and discussed what's next for education, broadband connection, health care, the rural economy and more.



GOLDEN SPREAD ASSISTS MEMBERS WITH COMPLIANCE REQUIREMENTS

Golden Spread staff has been actively advocating for and assisting its Members with new compliance requirements resulting from legislation passed during the 87th Texas Legislative Session. These requirements, largely a response to Winter Storm Uri, include, among other things, new Cooperative Emergency Operations Plans (EOPs).

GOLDEN SPREAD EMERGENCY OPERATIONS

After Winter Storm Uri, Golden Spread participated in rulemakings to improve grid reliability and better winterize power plants for future extreme weather events. In February 2022, the Public Utility Commission of Texas modified the rule governing electric utility emergency operations plans and expanded the requirements for electric cooperatives with generation and transmission facilities. Golden Spread enhanced its emergency operations plan and successfully completed two Electric Reliability Council of Texas inspections of its generation facilities in 2021 and 2022. In 2023, the modified rules require Golden Spread to demonstrate summer readiness in addition to winter readiness.

MEMBER EMERGENCY OPERATIONS

To help its Members comply with these new requirements, Golden Spread worked with its Member Cooperatives to develop templates, clarify regulatory requirements, assist with filing individual EOPs and meeting annual drill requirements.

REGULATORY UPDATES

Regulatory changes can have significant impacts on cooperatives' operations and the cost of electricity. Here are three regulatory matters currently affecting Golden Spread and its Members:

Electric Reliability Council of Texas (ERCOT) Market Design:

Following Winter Storm Uri in 2021, Public Utility Commission of Texas (PUC) is making broad changes to the ERCOT market to improve reliability and prevent similar events. Golden Spread filed comments in response to questions regarding PUC-endorsed market reform called the Performance Credit Mechanism (PCM). PUC issued a memo unanimously approving the PCM in January 2023, but the Texas Legislature would need to approve this proposal.

Southwest Power Pool (SPP) Resource Adequacy:

Recently, SPP approved an increase in the amount of electric capacity that Golden Spread and other loads in the SPP are required to maintain by increasing the planning reserve margin portion of the resource adequacy requirement. Golden Spread will continue to advocate for policies that provide both reliable and cost-effective power for its Members.

SPP Zonal Planning Criteria:

In June 2022, the Federal Energy Regulatory Commission (FERC) approved SPP's filing on Zonal Planning Criteria, giving consumers, including Golden Spread Members, input and voting rights within the SPP transmission zones where they are located.

TRANSMISSION COST OF SERVICE RECOVERY FILING

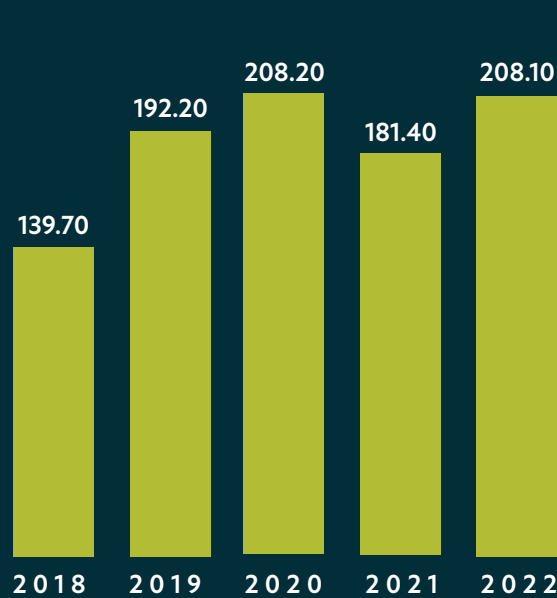
During much of 2022, Golden Spread continued to pursue the Transmission Cost of Service (TCOS) recovery originally filed with the Public Utilities Commission of Texas (PUCT) in October 2021. Golden Spread's last full TCOS filing was approved on April 4, 2019.

The PUCT allows for increased TCOS and Wholesale Transmission Rates to recover costs in building additional assets that facilitate transmission of power. This filing included cost recovery requests for the Transmission Operations Center, substations and radial lines that improve transmission service for those in the Electric Reliability

Council of Texas (ERCOT). Golden Spread also requested recovery of transmission operations expenses that provide Golden Spread Members in ERCOT with needed services when the ERCOT grid operator calls for a change in operations to preserve the stability of the grid.

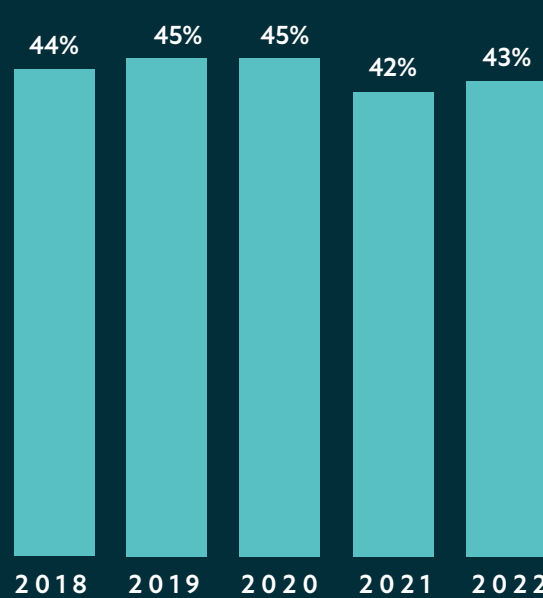
The PUCT ruled on that filing in February 2023, allowing Golden Spread to recover a portion of the cost incurred by Members in providing required transmission services in ERCOT.

CASH LIQUIDITY (IN MILLIONS OF DOLLARS)



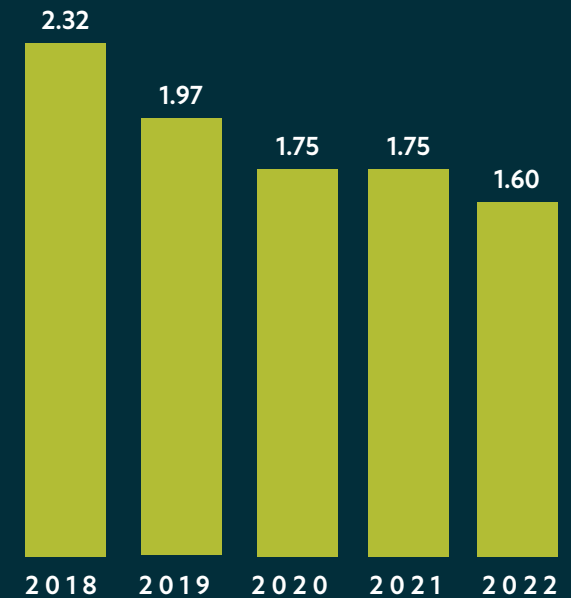
Cash and cash equivalents fluctuate based on the cash liquidity needed to fund capital expenditures, operations and rate stabilization. Golden Spread targets cash balances of at least 90 days cash operating expenses at all times.

EQUITY/CAPITALIZATION



Golden Spread maintains a solid equity/total capitalization ratio to minimize coverage requirements to our Members.

DEBT SERVICE COVERAGE (DSC) RATIO



DSC ratios remained strong despite the increased debt associated with Winter Storm Uri. Golden Spread maintains a strong DSC ratio to ensure adequate coverage of our debt obligations.

MEMBERS SEEK INFRASTRUCTURE FUNDING OPPORTUNITIES

Golden Spread Members have requested assistance in identifying and procuring federal grants that will be available through the Infrastructure Investment and Jobs Act (IIJA). The IIJA was passed by Congress in November 2021 to provide investment in the nation’s critical infrastructure priorities, including the electric grid, roads and bridges, rail, transit, ports, airports, water systems and broadband.

Of particular interest to Golden Spread Members is grant funding that will be available for power grid infrastructure, resilience and reliability, cybersecurity protections, transmission facilitation, electric vehicle charging infrastructure and vehicle-to-grid infrastructure.

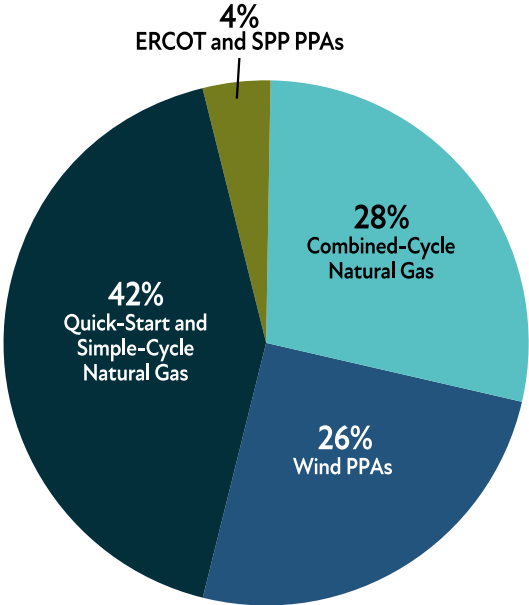
To support Members’ participation in the competitive grant process, Golden Spread issued a request for proposals from grant writers

in compliance with federal procurement standards. This work was awarded to DCMC Partners by most Members. Golden Spread staff has also provided Members with templates on federal policies and programs required under the federal procurement standards.

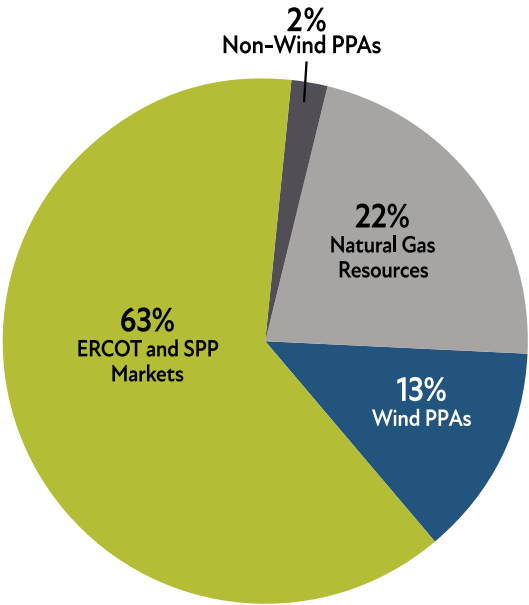
In addition, Golden Spread staff issues a monthly update of grant opportunities to Members, and the Member Services team is working closely with Members to identify potential opportunities. Golden Spread is committed to providing comprehensive support to its Members to help them achieve their goals and contribute to the development of the nation’s critical infrastructure.

CURRENT RESOURCE OPERATION

2022 Power Supply Resources



Energy Sources Used to Meet 2022 Member Requirements



PPAs are power purchase agreements. Golden Spread does not retain the environmental attributes associated with wind.



PARTICIPATING WITH THE COMMUNITIES WE SERVE

The Golden Spread Community Involvement Committee (CIC) demonstrates the Cooperative's commitment to supporting communities served by the Cooperative and its Members through services and activities of charitable organizations in Members' territories. This is accomplished through a combination of a budget provided by the Golden Spread Board of Directors and contributions from employees throughout the year.

One of the CIC's focuses this year was The Panhandle Gives, which is nine days of enhanced charitable giving to support nonprofits in the Texas Panhandle. The CIC offered to match employee contributions dollar-for-dollar with board provided funds. A total of \$9,870 was donated to support area charitable organizations.

After being affected by Covid in 2020 and 2021, the committee wanted to increase their efforts to drive volunteer participation in 2022. The 2022 vision was "Putting the involvement back into the Community Involvement Committee."

The CIC schedules regular opportunities for Golden Spread employees to use their allocated paid time for volunteering in the community. In 2022, employees volunteered across a wide range of organizations, including Snack Pak 4 Kids, the Ronald McDonald House of Lubbock, Women in Science Endeavors (WISE) and the Texas Boys & Girls Ranch. The increased efforts to drive volunteer engagement were successful, and CIC was able to report the second-highest usage of volunteer hours for the year.

The committee is made up of 18 members who coordinate activities and determine the allocation of funds. Officers for 2022 were Chairperson Jennifer Bobbitt, Vice Chairperson Courtney Williams, Secretary Cheri Vogeler, Treasurer Sharla Fowler and Board & Employee Liaison Sara Orr.

The committee wishes to express its gratitude to the Board of Directors for providing an exemplary template of leadership and increased support.

CREDIT RATINGS UPDATES

Golden Spread remains financially strong, according to the most recently issued credit ratings, which are highlighted in the chart on this page.

In February 2023, Moody's Investors Service (Moody's) reaffirmed Golden Spread's A2 issuer rating with a stable outlook and stated the rating reflects a "well-capitalized balance sheet, good liquidity and a history of maintaining financial metrics at around the

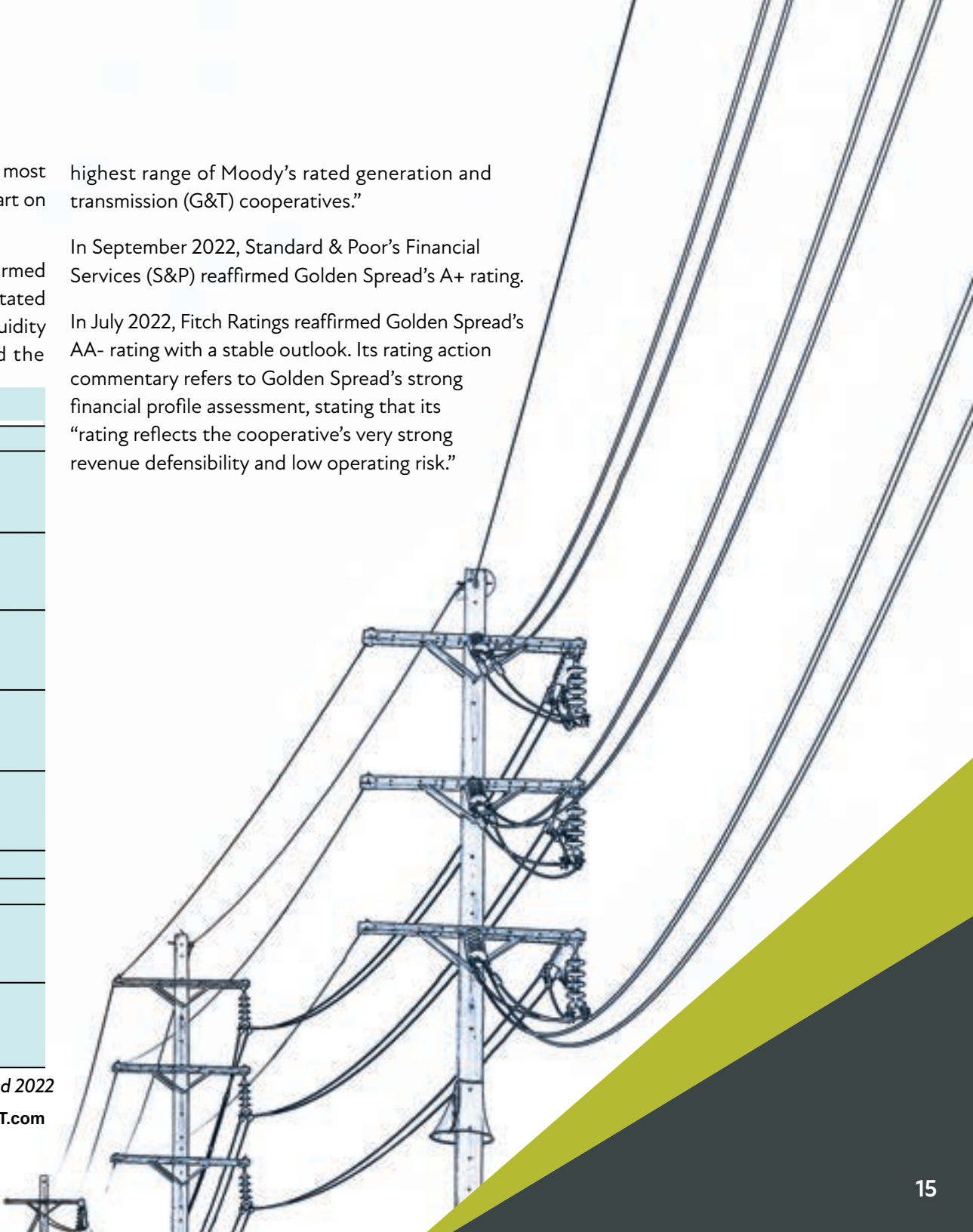
highest range of Moody's rated generation and transmission (G&T) cooperatives."

In September 2022, Standard & Poor's Financial Services (S&P) reaffirmed Golden Spread's A+ rating.

In July 2022, Fitch Ratings reaffirmed Golden Spread's AA- rating with a stable outlook. Its rating action commentary refers to Golden Spread's strong financial profile assessment, stating that its "rating reflects the cooperative's very strong revenue defensibility and low operating risk."

MOODY'S	S&P	FITCH	
Aaa	AAA	AAA	Prime
Aa1	AA+	AA+	High Grade
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	
A2	A	A	Upper Medium Grade
A3	A-	A-	Lower Medium Grade
Baa1	BBB+	BBB+	
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	Non-investment Grade Speculative
Ba2	BB	BB	
Ba3	BB-	BB-	
B1	B+	B+	High Speculative
B2	B	B	
B3	B-	B-	
Caa1	CCC+	CCC	Substantial Risk
Caa2	CCC		Extremely Speculative
Caa3	CCC-		Default Imminent with
Ca	CC	CC	Little Prospect for Recovery
	C	C	
C	D	D	In Default
/			
/			

Highlighted cells indicate Golden Spread's credit rating at year-end 2022





EDUCATION TRAILER MAKES ITS DEBUT

The Mobile Education Trailer is a new resource to promote awareness and understanding of electricity and distribution cooperatives, electrical safety and career opportunities. The trailer is a culmination of many years of ideas brought to fruition.

The interactive trailer offers a fun and educational experience for people of all ages. A simulated bucket truck wrap encompasses the trailer exterior and includes a pop-up touchscreen video wall for showing videos about types of jobs at distribution cooperatives, how cooperatives operate and Golden Spread's generation facilities.

Other components include the Experience Room and educational games, which make the learning experience fun and engaging. The Experience Room is a small outdoor stage with a public address system that can be used for safety, arc flash and other demonstrations by the Members. The home and farm safety educational games allow users to flip hard hats and learn practical safety tips. "Power to Restore" is an interactive 3D game console housed in a scaled home structure. It is designed to mimic a homeowner's experience of how power is restored in events such as a snowstorm.

The simulated bucket truck wrap on the exterior is part of the High in the Sky Heroes photo opportunity that includes a large, scaled utility pole, coupled with lineman gear, line worker facts and a bucket to pose in. Although this exhibit is on the ground, it gives the user the experience of what it feels like to be inside a bucket that may be part of a real bucket truck.

The trailer is a new initiative developed by Golden Spread's Products Committee, which was formed in 2019 to serve as a forum for launching and delivering cost-effective products that provide real benefits to Golden Spread's Members.



The Mobile Education Trailer sub-committee team included Suzie Brown, Chair, Bailey County Electric Cooperative; Karen Howell, Rita Blanca Electric Cooperative; Slate May, Lyntegar Electric Cooperative; and Stacy Sanning, Golden Spread Electric Cooperative.

The trailer was designed and built by Mixdesign and debuted at the Texas Electric Cooperatives Member Services Conference in October 2022. Funding for the trailer has been provided by Golden Spread and its Members, along with contributions from The Nitsche Group and Techline Tools.

Golden Spread's 16 Members can reserve the trailer for use in their service territory at a variety of events, such as annual meetings, school demonstrations, job fairs and other community events. These events demonstrate the commitment of Member Cooperatives to educating the public and promoting the cooperative model.



2022 YOUTH TOUR SPONSORSHIP

Each summer, participating electric cooperatives around the nation send high school students to the nation's capital to attend the Government-in-Action Youth Tour. The 12-day tour includes visits to the White House, Washington Monument, U.S. House and Senate chambers, Supreme Court, Washington National Cathedral, Arlington National Cemetery, Smithsonian Institution and a host of other national sites. The delegates learn about the impact electric cooperatives have on their communities, as well as how programs like National Rural Electric Cooperative Association International affect lives around the world.

In 2020, Daniel Ward from the Concho Valley Electric Cooperative territory won the Golden Spread sponsorship to attend the Youth Tour, however, the event was canceled due to the pandemic. Concho Valley held his place so he could attend the 2022 event.



MARK W. SCHWIRTZ EMPLOYEE MEMORIAL SCHOLARSHIP

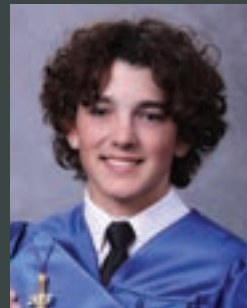
The Mark Schwirtz Employee Memorial Scholarship was founded in 2021 by the Golden Spread Board of Directors to honor the service of the late Mark Schwirtz, former Golden Spread President and CEO.

The Board approved an initial contribution of \$10,000, and CoBank matched the donation. Golden Spread Members' Boards and numerous individuals also contributed to the scholarship. As of March 1, 2023, the balance of the scholarship fund is \$74,510.

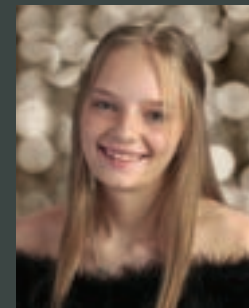
Eligible applicants must be an employee or Director of Golden Spread or one of its Members, or have a parent or guardian who is an employee or Director of Golden Spread or one of its Members. A total of six recipients have received this scholarship since 2021.

Each student receives a \$1,000 scholarship to further their college education.

The 2023 scholarship recipients are:



KADEN BOATRIGHT,
son of Golden Spread Electric Cooperative employee Ty Boatright and his wife Staysha.



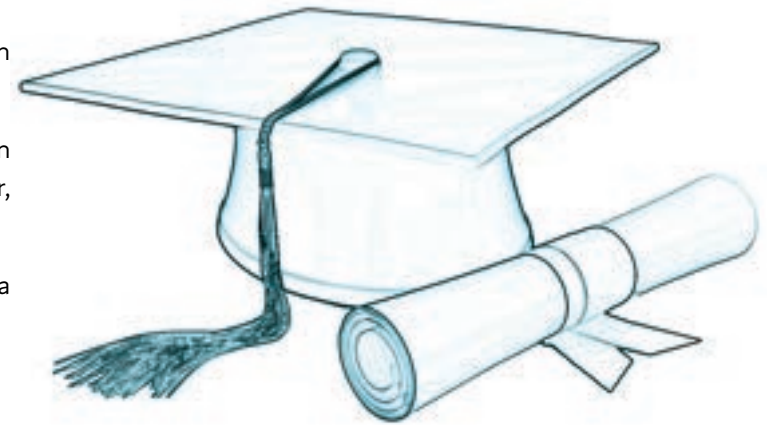
ADDISON BURKHALTER,
daughter of North Plains Electric Cooperative employee Jesse Burkhalter and his wife Ashley.

DIRECTORS' MEMORIAL SCHOLARSHIP

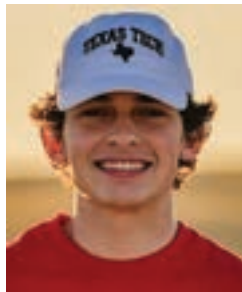
The Directors' Memorial Scholarship, established in 1991, honors former Directors of Golden Spread who were dedicated to the development and advancement of rural electrification.

The scholarships are designated for families who are Member-Consumers of one of Golden Spread's 16 Member Cooperatives. More specifically, eligibility is for any Member-Consumer, a spouse or child of a Member-Consumer or a child whose guardian is a Member-Consumer.

Student recipients receive a total of \$2,000, providing \$500 for each of four semesters for a student's first two years. The eight students who received scholarships in 2023 are:



JULIAN AZUA
Lamb County Electric
Cooperative



TRUETT KERBY
Lamb County Electric
Cooperative



MAKYNLEE MULBERY
TCEC



BALEIGH PIPPIN
Big Country Electric
Cooperative



GRACIE POTTER
South Plains Electric
Cooperative



KINLEIGH RICHARDSON
South Plains Electric
Cooperative



CARLEY SMITH
Lyntegar Electric
Cooperative



KIMBER WHITEHEAD
Rita Blanca Electric
Cooperative

More than \$163,000 in scholarship funds have been disbursed to 128 recipients since the first scholarship was awarded in 1995. As of March 1, 2023, the scholarship fund has a balance of \$183,852 and is administered by Opportunity Plan, Inc., of Canyon, Texas.

Golden Spread makes annual contributions to the fund, in addition to making contributions in memory or in honor of past Board Members. Individual contributions are welcomed and add to the endowment for the scholarship fund.

For more information about Golden Spread's scholarships or to apply, visit gsec.coop.

IN REMEMBRANCE

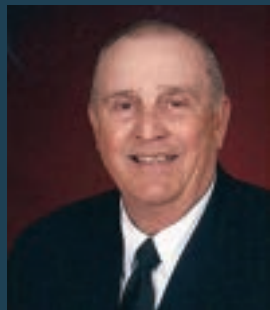


JAMES BATTON

We celebrate the life of James “Jim” W. Batton of Mobeetie, Texas. Mr. Batton joined the Golden Spread Board in February 2010 and retired in May 2022. At the time of his death, he was serving as President of the Greenbelt Electric Cooperative Board. Mr. Batton attended Tulsa University and Oklahoma State University. He was a rancher and

was known by many for years of stock showing across the state of Texas. Mr. Batton also announced rodeos for 4-H and Tri-State across the Panhandle.

Golden Spread expresses gratitude for Mr. Batton’s years of service to the Cooperatives.



SIDNEY LONG

Sidney “Sid” Joe Long was a resident of Robert Lee, Texas, and graduated from Texas Tech University and Mississippi State University. Mr. Long was an Agriculture Teacher for more than 31 years and had a passion for training leadership and judging teams that earned many championship titles. After retiring from teaching, he became the Executive Secretary for the Southern Rolling Plains and Blacklands Cotton Producers Association. Mr. Long served on the Concho Valley Electric Cooperative Board from 1997 to 2005 and as interim CEO/General Manager from 2005 to 2008. Mr. Long served on the Golden Spread Board from 2003 to 2008.

Golden Spread is grateful for Mr. Long’s dedicated service to both Cooperatives.

STAFF RETIREMENTS



RUTH GARDNER

Ruth Gardner, Legal Administrative Assistant, joined Golden Spread in February 2017 and retired in July 2022. Ruth was an integral part of the Legal department, assisting the team with paperwork and correspondence, among many other activities.



BILL HARRELSON

Bill Harrelson, Chief Legal and Compliance Officer and General Counsel, retired in January 2022. Bill was hired in 2012 as the Associate General Counsel and subsequently was named Chief Legal and Compliance Officer and General Counsel. Among his many accomplishments at Golden Spread, he navigated complex regulatory matters related to grid switching and was responsible for major advancements in the maturity of Golden Spread’s compliance function.



STEVE WIEGAND

Steve Wiegand, Manager, Treasury & Financial Accounting, retired in December 2022 after more than 18 years of service to Golden Spread. In addition to being the Manager of Treasury & Financial Accounting, Steve also held the positions of Accounting Manager and Treasury & Regulation Administrator.

BOARD OF DIRECTORS

Kelly Lankford – Chairman and President of the Board

Greg Henley – Vice Chairman and Vice President of the Board

Mark McClain – Secretary/Treasurer

BAILEY COUNTY ELECTRIC COOPERATIVE

Keith Hicks • David Marricle

BIG COUNTRY ELECTRIC COOPERATIVE

Danny Helms • Mark McClain

COLEMAN COUNTY ELECTRIC COOPERATIVE

Bob Fuchs • Synda Smith

CONCHO VALLEY ELECTRIC COOPERATIVE

Jeff Copeland • Kelly Lankford

DEAF SMITH ELECTRIC COOPERATIVE

Vick Christian • Tim Burkhalter

GREENBELT ELECTRIC COOPERATIVE

Michael Souder • Randy White

LAMB COUNTY ELECTRIC COOPERATIVE

Kevin Humphreys • Blake Moore

LIGHTHOUSE ELECTRIC COOPERATIVE

Mark Appling • Albert Daniel

LYNTEGAR ELECTRIC COOPERATIVE

Ben Franklin • Greg Henley

NORTH PLAINS ELECTRIC COOPERATIVE

David Sell, CPA • Randy Mahannah, PE

RITA BLANCA ELECTRIC COOPERATIVE

Shad McDaniel, PE • Brent Wheeler

SOUTH PLAINS ELECTRIC COOPERATIVE

Benny Nixon • Dale Ancell

SOUTHWEST TEXAS ELECTRIC COOPERATIVE

Pat Jackson • William “Buff” Whitten

SWISHER ELECTRIC COOPERATIVE

Dwain Strange • Dwain Tipton

TAYLOR ELECTRIC COOPERATIVE

Cecil Davis • Ryan Bartlett

TCEC

Shawn Martinez • Zac Perkins

GOLDEN SPREAD OFFICERS

Kari Hollandsworth – President and Chief Executive Officer

James Guy – Assistant Secretary, Chief Legal and Compliance Officer

Robert M. “Matt” Lowe – Assistant Treasurer, Chief Financial and Risk Officer

2022 GOLDEN SPREAD BOARD OF DIRECTORS

BAILEY COUNTY ELECTRIC COOPERATIVE



DAVID MARRICLE, President/CEO
KEITH HICKS, Director

Bailey County's service area lies in the south-central Panhandle of Texas, and includes about 2,000 square miles. The economy of the region is highly dependent on agricultural production, with changes affecting the population, load growth and electricity sales.



BIG COUNTRY ELECTRIC COOPERATIVE



MARK MCCLAIN, GM
DANNY HELMS, Director

Big Country's service area lies in the northwestern central portion of Texas, with dimensions of 155 miles east to west, and 115 miles north to south, covering almost 5,700 square miles. The area is primarily devoted to agriculture (ranching and farming) and the oil and gas industry.



COLEMAN COUNTY ELECTRIC COOPERATIVE



SYNDA SMITH, CEO/GM
BOB FUCHS, Director

Coleman County's service area lies in the central part of Texas and includes about 3,737 miles of distribution line. Coleman County is made up of mostly farm and ranch lands with a few industries.



CONCHO VALLEY ELECTRIC COOPERATIVE



KELLY LANKFORD, EVP/CEO
JEFF COPELAND, Director

Concho Valley serves portions of ten counties. The economy of the service area is oil and gas production and agribusiness. This region is the nation's leading center for producing and shipping wool and mohair.



2022 GOLDEN SPREAD BOARD OF DIRECTORS

DEAF SMITH ELECTRIC COOPERATIVE



TIM BURKHALTER, President/GM
VICK CHRISTIAN, Director

Deaf Smith's service area lies in the western Panhandle of Texas, and includes about 3,000 square miles. The economy of the region is highly dependent on agricultural production. A small portion of the service area is used as ranch land for both stocker and cow-calf operations.



GREENBELT ELECTRIC COOPERATIVE



RANDY WHITE, GM/CEO
MICHAEL SOUDER, Director

Greenbelt's service area lies in the south-central and southeast Panhandle of Texas, and includes about 4,000 square miles. The region is highly dependent on agricultural production with the maximum demand for electricity occurring during the summer.



LAMB COUNTY ELECTRIC COOPERATIVE



BLAKE MOORE, GM/CEO
KEVIN HUMPHREYS, Director

Lamb County's service area lies in the South Plains of Texas, and includes about 1,600 square miles. The economy of the region is highly dependent on the agricultural production, oil and natural gas-related industries.



LIGHTHOUSE ELECTRIC COOPERATIVE



ALBERT DANIEL, GM
MARK APPLING, Director

Lighthouse's service area lies in the south-central Panhandle of Texas and includes about 7,000 square miles. The economy of the region is highly dependent on agricultural production with the maximum demand for electricity occurring during the summer.



2022 GOLDEN SPREAD BOARD OF DIRECTORS

LYNTEGAR ELECTRIC COOPERATIVE



GREG HENLEY, CEO
BEN FRANKLIN, Director

Lyntegar serves more than 5,000 members through more than 20,000 meter connections in an area of approximately 5,500 square miles. Due to the area involved, there is a heavy irrigation load in parts of the system, with the Cooperative serving more than 9,800 irrigation wells and more than 2,000 oil wells.

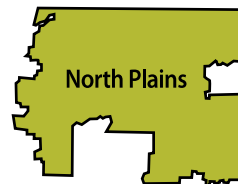


NORTH PLAINS ELECTRIC COOPERATIVE



RANDY MAHANNAH, P.E., EVP/GM
DAVID SELL, C.P.A., Director

North Plains' service area lies in the northeastern Panhandle of Texas. The region consists of mostly level farmland, with some rougher terrain found in areas close to creeks and rivers. The economy of the region is highly dependent on agriculture and oil and gas production.

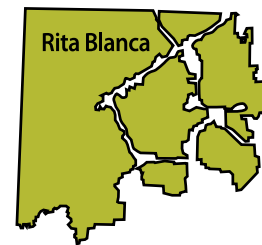


RITA BLANCA ELECTRIC COOPERATIVE



BRENT WHEELER, CEO/GM
SHAD MCDANIEL, Director

Rita Blanca's service area lies in the northwestern Panhandle of Texas, and includes about 5,500 square miles. The economy of the region is highly dependent on agriculture and oil and gas production.

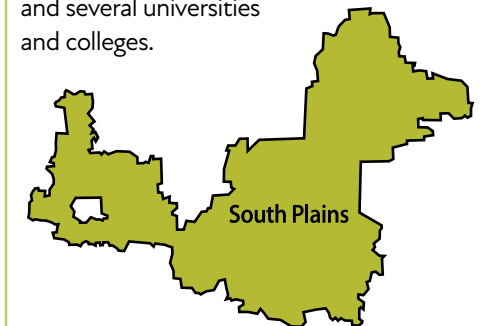


SOUTH PLAINS ELECTRIC COOPERATIVE



DALE ANCELL, GM
BENNY NIXON, Director

South Plains' service area spans across 6,600 square miles of the South Plains and Rolling Plains regions with over 10,000 miles of line. The local economies are influenced by agricultural production, oil and gas related industries, a large medical district and several universities and colleges.



2022 GOLDEN SPREAD BOARD OF DIRECTORS

SOUTHWEST TEXAS ELECTRIC COOPERATIVE



WILLIAM "BUFF" WHITTEN, GM
PAT JACKSON, Director

The service territory for Southwest Texas covers 7,200 square miles of rural West Texas, extending from the edge of the Chihuahuan desert in the west to the beautiful live oak covered Hill Country to the east. The service territory is dominated by farming, ranching and oilfield activity.



SWISHER ELECTRIC COOPERATIVE



DWAIN TIPTON, GM
DWAIN STRANGE, Director

Swisher serves in the south-central Panhandle of Texas. The service area includes about 1,871 square miles. The economy of the region is highly dependent on agricultural production. More than 300,000 cattle are fed each year in area feed yards.



TAYLOR ELECTRIC COOPERATIVE



RYAN BARTLETT, President/CEO
CECIL DAVIS, Director

Taylor's service area lies in the north-central plains of Texas and covers approximately 2,250 miles. Much of the service area is agricultural based with a strong oil and gas load in the region, as well as active cattle ranching and hunting lease interest.



TCEC



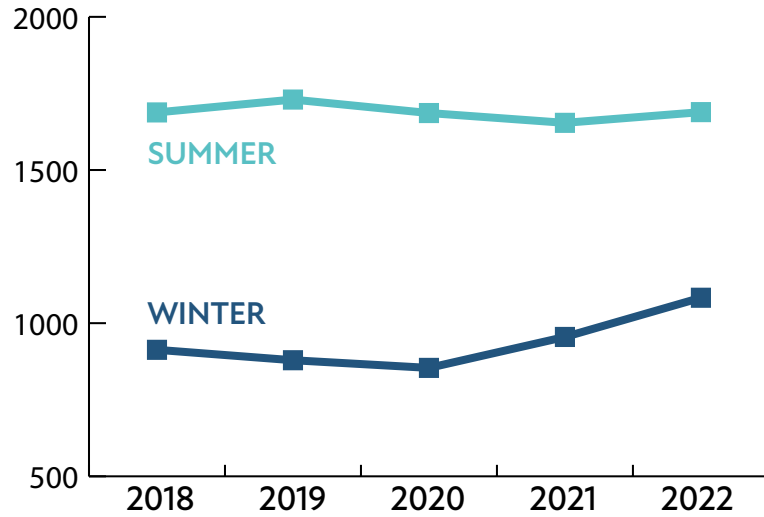
ZAC PERKINS, CEO
SHAWN MARTINEZ, Director

TCEC's service area lies in the Panhandle of Oklahoma, and is about 35 miles wide and 144 miles long. The cooperative serves approximately 12,000 members. The economy of the region is highly dependent on agricultural production.



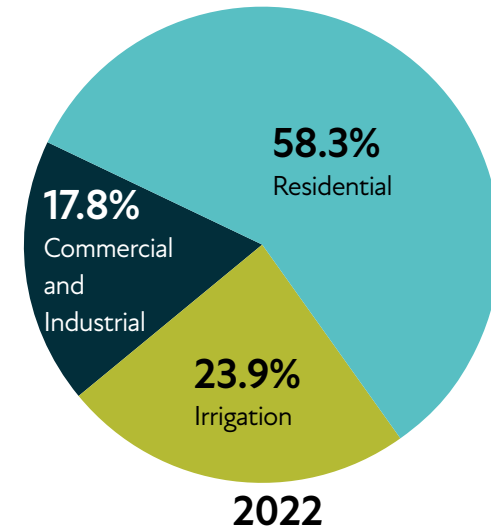
COINCIDENT DEMAND (Megawatts)

Peak loads are affected by weather conditions, commodity prices and general load growth in the Members' service territories.



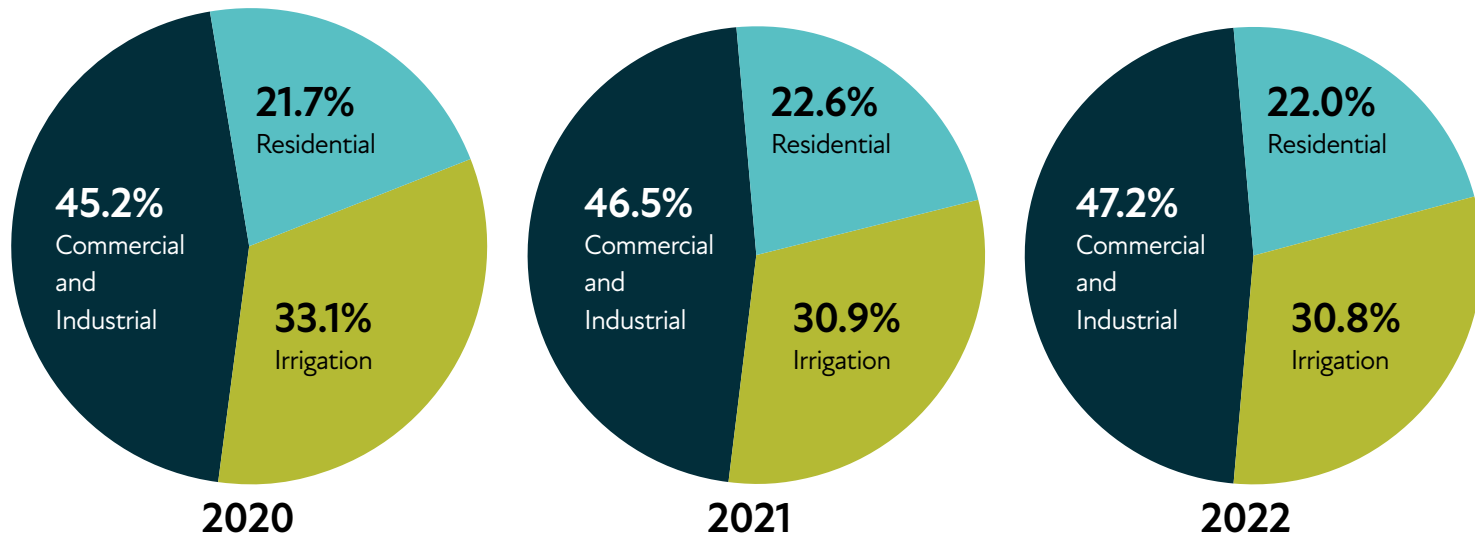
RATE CLASSIFICATION

The composition of Member-Consumers by rate classification remains stable from year to year.



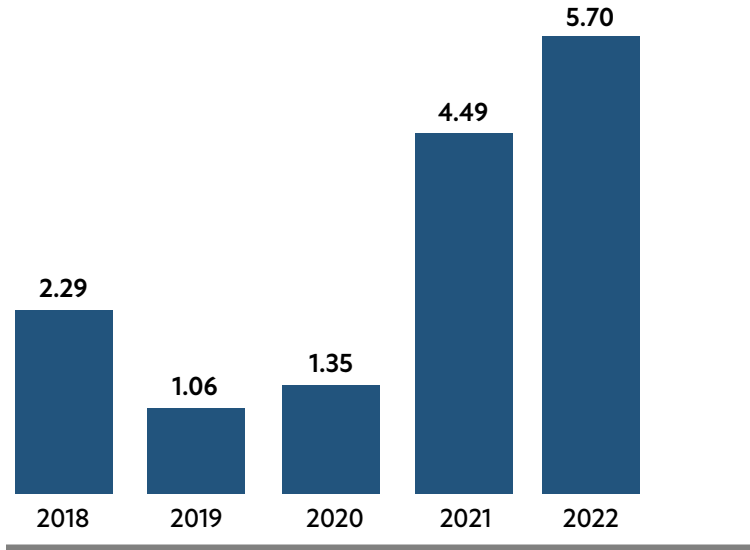
USAGE BY RATE CLASSIFICATION

Weather conditions affect the mix of energy sales by classification – particularly the level of irrigation sales, which has ranged from 30% to 35% of total sales in the last few years.



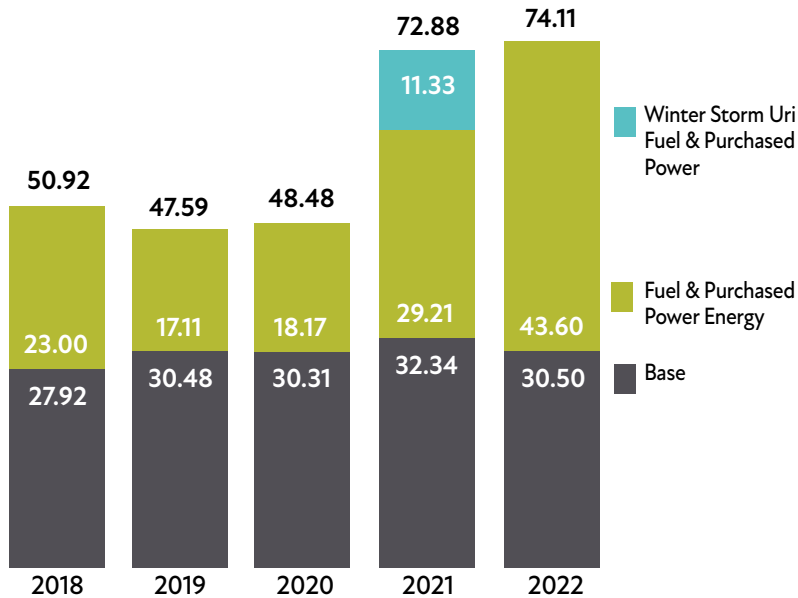
AVERAGE NATURAL GAS COMMODITY PRICE (\$/MMBtu)

Natural gas prices have a direct effect on Members' rates.

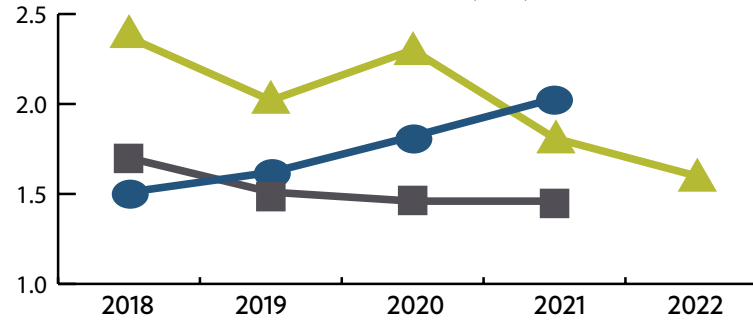


AVERAGE RATE TO MEMBERS (\$/MWh)

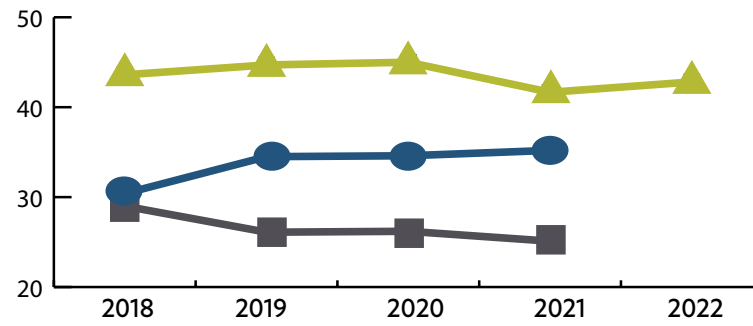
Average rate to Members increased in 2022 due to natural gas prices and increases in transmission rates.



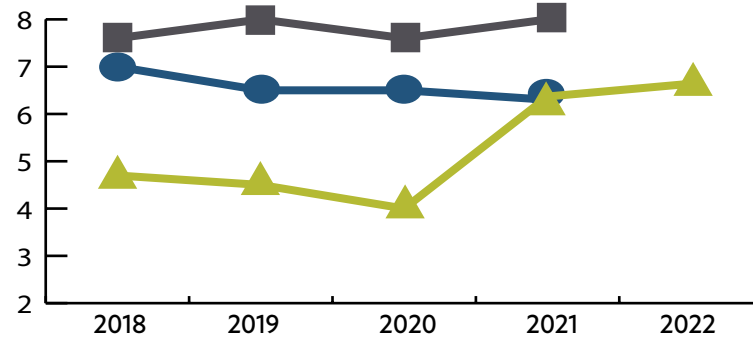
DEBT SERVICE COVERAGE (DSC) RATIO*



EQUITY-TO-CAPITALIZATION (%)*



DEBT-TO-FUNDS AVAILABLE FOR DEBT SERVICE (FADS)*



Golden Spread is committed to maintaining good financial metrics to support a strong balance sheet. The challenges of 2022 impacted its ratios, however, Golden Spread still compares favorably to the average ratios of its peers.

In July 2022, Fitch reaffirmed its rating for Golden Spread to AA- with a stable outlook.

*Data provided by Fitch Ratings' U.S. Public Power Peer Studies. Amounts for 2022 were not available at time of printing.

Note: The G&Ts included for comparisons may differ from year to year.

- A+ and above rated G&Ts*
- A rated G&Ts*
- ▲ Golden Spread

<i>Condensed Consolidated Income Statement Data (000)</i>	2022	2021	2020	2019	2018
Operating Revenues	\$ 749,460	\$ 730,717	\$ 413,615	\$ 400,591	\$ 464,225
Operating Expenses					
Fuel, Purchased Power and Transmission	\$ 525,722	\$ 530,856	\$ 226,938	\$ 207,742	\$ 266,043
Plant Operations and Maintenance	55,651	50,055	46,656	41,667	28,646
Administrative and General	36,104	32,062	30,635	32,009	28,703
Depreciation and Amortization	49,560	48,631	46,053	46,922	45,926
Amortization of Deferred Charges	17,040	3,945	-	-	-
Taxes Other Than Income Taxes	6,265	6,944	7,343	8,121	9,855
Other Operating Expenses	17,523	14,417	15,316	14,739	15,665
Total Operating Expenses	\$ 707,866	\$ 686,909	\$ 372,941	\$ 351,200	\$ 394,838
Operating Margins--Before Fixed Charges	\$ 41,594	\$ 43,807	\$ 40,674	\$ 49,391	\$ 69,387
Fixed Charges	27,155	27,425	26,055	26,941	28,155
Operating Margins--After Fixed Charges	\$ 14,439	\$ 16,383	\$ 14,619	\$ 22,450	\$ 41,232
Nonoperating Margins	3,041	(697)	1,146	2,911	1,902
Net Margins	\$ 17,480	\$ 15,686	\$ 15,765	\$ 25,361	\$ 43,134
<i>Condensed Consolidated Balance Sheet Data (000)</i>					
Utility Plant, net	\$ 826,482	\$ 833,030	\$ 813,320	\$ 817,014	\$ 849,710
Other Property and Investments	22,089	22,314	22,516	22,529	44,592
Cash, Cash Equivalents and Short-Term Investment Securities	208,065	181,380	208,179	192,228	139,660
Restricted Cash	14,196	-	-	-	-
Other Current Assets	132,445	116,289	126,044	118,236	70,796
Regulatory and Other Assets	85,713	103,487	2,874	3,023	4,199
Total Assets	\$ 1,288,990	\$ 1,256,500	\$ 1,172,933	\$ 1,153,030	\$ 1,108,957
Total Members' Equity	\$ 466,486	\$ 462,705	\$ 447,019	\$ 458,754	\$ 453,493
Long-Term Debt, excluding current maturities	\$ 566,913	\$ 603,117	\$ 524,112	\$ 539,267	\$ 562,567
Current Liabilities	173,692	139,266	106,384	85,257	87,444
Deferred Credits	81,899	51,412	95,418	69,752	5,453
Total Liabilities	\$ 822,504	\$ 793,795	\$ 725,914	\$ 694,276	\$ 655,464
Total Members' Equity and Liabilities	\$ 1,288,990	\$ 1,256,500	\$ 1,172,933	\$ 1,153,030	\$ 1,108,957
<i>Other Financial and Statistical Data</i>					
Energy Sales					
Energy Sales to Members (MWh)	8,511,206	7,686,271	7,898,832	7,509,715	7,753,192
Energy Sales to Nonmembers (MWh)(1)	1,175,976	622,598	987,673	1,591,128	970,829
Total Energy Sales (MWh)	9,687,181	8,308,869	8,886,505	9,100,843	8,724,021
Member Peak Demand (MW)	1,689	1,654	1,686	1,730	1,688
Member System Load Factor (%)	56.64	53.01	53.31	49.52	52.40
Energy Generated (MWh) (2)	3,212,420	1,729,652	4,374,506	5,905,724	4,159,596
Energy Purchased (MWh) (2)	6,503,263	6,599,163	4,552,525	3,277,219	4,642,571
Average Rate to Members (\$/MWh)	\$ 74.11	\$ 72.88	\$ 48.48	\$ 47.59	\$ 50.92
Average Natural Gas Commodity Price (\$/MMBtu)	\$ 5.70	\$ 4.49	\$ 1.35	\$ 1.06	\$ 2.29
Financial Ratios					
Equity/Capitalization (%)	43	42	45	45	44
Debt Service Coverage (DSC) Ratio	1.60	1.75	1.75	1.97	2.32
Debt/Funds Available for Debt Service	6.64	7.08	6.31	5.65	5.00
Days Cash on Hand	115	104	232	221	136

(1) Includes energy and ancillary services sales

(2) Includes ancillary services for Member load

MEMBER COOPERATIVES' INFORMATION

2022 SUMMARY (dollars in thousands)	BAILEY COUNTY	BIG COUNTRY	COLEMAN COUNTY	CONCHO VALLEY	DEAF SMITH	GREENBELT	LAMB COUNTY	LIGHTHOUSE	LYNTEGAR
Number of Employees	43	62	36	67	48	34	39	42	109
Total Services in Place	9,994	18,418	13,115	20,445	17,279	7,365	13,582	11,398	25,730
Miles of Distribution Line	2,772	5,383	3,799	4,409	4,536	2,614	3,245	4,567	6,830
Miles of Transmission Line	174	75*	46*	35*	129	45*	39	94	111
Peak Demand (kW - NCP)	83,708	95,413	44,327	84,914	181,344	39,670	85,125	116,566	171,669
Sales (MWh)	353,061	363,341	155,569	421,806	842,010	200,414	347,105	260,755	777,290
Net Utility Plant.....	\$ 55,644	\$ 80,351	\$ 20,239	\$ 99,734	\$ 44,940	\$ 41,278	\$ 43,445	\$ 62,104	\$ 179,590
Assets	\$ 96,764	\$ 114,398	\$ 35,333	\$ 144,392	\$ 130,870	\$ 63,303	\$ 86,688	\$ 102,334	\$ 279,856
Margins Plus Equities	\$ 46,576	\$ 62,846	\$ 24,746	\$ 60,570	\$ 109,953	\$ 28,081	\$ 52,071	\$ 55,030	\$ 143,892
Revenues	\$ 43,359	\$ 49,687	\$ 18,571	\$ 52,411	\$ 84,465	\$ 26,676	\$ 40,453	\$ 36,724	\$ 96,129
Cost of Purchased Power	\$ 30,398	\$ 28,838	\$ 12,623	\$ 33,767	\$ 67,532	\$ 18,002	\$ 29,303	\$ 24,637	\$ 65,229
Interest on Long Term Debt ...	\$ 1,773	\$ 1,612	\$ 347	\$ 2,363	\$ 258	\$ 1,171	\$ 1,119	\$ 1,540	\$ 4,631
Net Margins	\$ 974	\$ 6,189	\$ 1,244	\$ 3,012	\$ 6,447	\$ 1,456	\$ 2,039	\$ 812	\$ 4,097
DSC.....	1.97	3.64	2.91	2.00	7.63	1.76	2.21	0.22	1.79
Equity Ratio (%)	48.13%	54.94%	70.04%	41.95%	84.00%	44.36%	60.07%	53.77%	51.42%
	NORTH PLAINS	RITA BLANCA	SOUTH PLAINS	SOUTHWEST TEXAS	SWISHER	TAYLOR	TCEC	TOTAL	
Number of Employees	47	35	160	48	36	91	96	993	
Total Services in Place	7,613	9,624	84,056	15,225	9,720	29,759	25,100	318,423	
Miles of Distribution Line	3,589	3,420	10,159	5,439	3,568	5,155	4,960	74,445	
Miles of Transmission Line	278	56	122*	1	145	32*	1	1,383	
Peak Demand (kW - NCP)	116,566	180,256	379,708	49,927	50,430	169,988	154,801	2,004,412	
Sales (MWh)	447,879	891,027	1,675,195	273,419	167,482	442,521	849,521	8,468,395	
Net Utility Plant.....	\$ 72,521	\$ 80,333	\$ 300,265	\$ 50,470	\$ 37,839	\$ 159,949	\$ 248,185	1,576,887	
Assets	\$ 118,562	\$ 130,821	\$ 484,281	\$ 83,415	\$ 71,341	\$ 204,007	\$ 349,959	2,496,324	
Margins Plus Equities	\$ 58,598	\$ 104,275	\$ 211,078	\$ 57,187	\$ 40,217	\$ 76,913	\$ 99,539	1,231,572	
Revenues	\$ 52,462	\$ 88,184	\$ 204,675	\$ 31,625	\$ 22,098	\$ 69,768	\$ 108,457	1,025,744	
Cost of Purchased Power	\$ 38,771	\$ 71,678	\$ 157,475	\$ 19,665	\$ 14,109	\$ 40,859	\$ 69,093	721,979	
Interest on Long Term Debt ...	\$ 1,360	\$ 474	\$ 6,773	\$ 680	\$ 970	\$ 4,524	\$ 11,270	40,865	
Net Margins	\$ 4,839	\$ 10,503	\$ 5,588	\$ 1,591	\$ 477	\$ 4,319	\$ 4,160	57,747	
DSC.....	2.99	17.13	1.59	3.24	1.25	1.86	1.53	3.36	
Equity Ratio (%)	49.30%	79.86%	43.59%	68.55%	56.40%	37.70%	28.44%	54.53%	

* Golden Spread Transmission Lines

MISSION

Delivering **COST EFFECTIVE**, **COMPETITIVE** and **RELIABLE POWER** to provide a secure energy future for generations to come by:

- Creating opportunities
- Cultivating cooperation
- Navigating industry risk

VISION

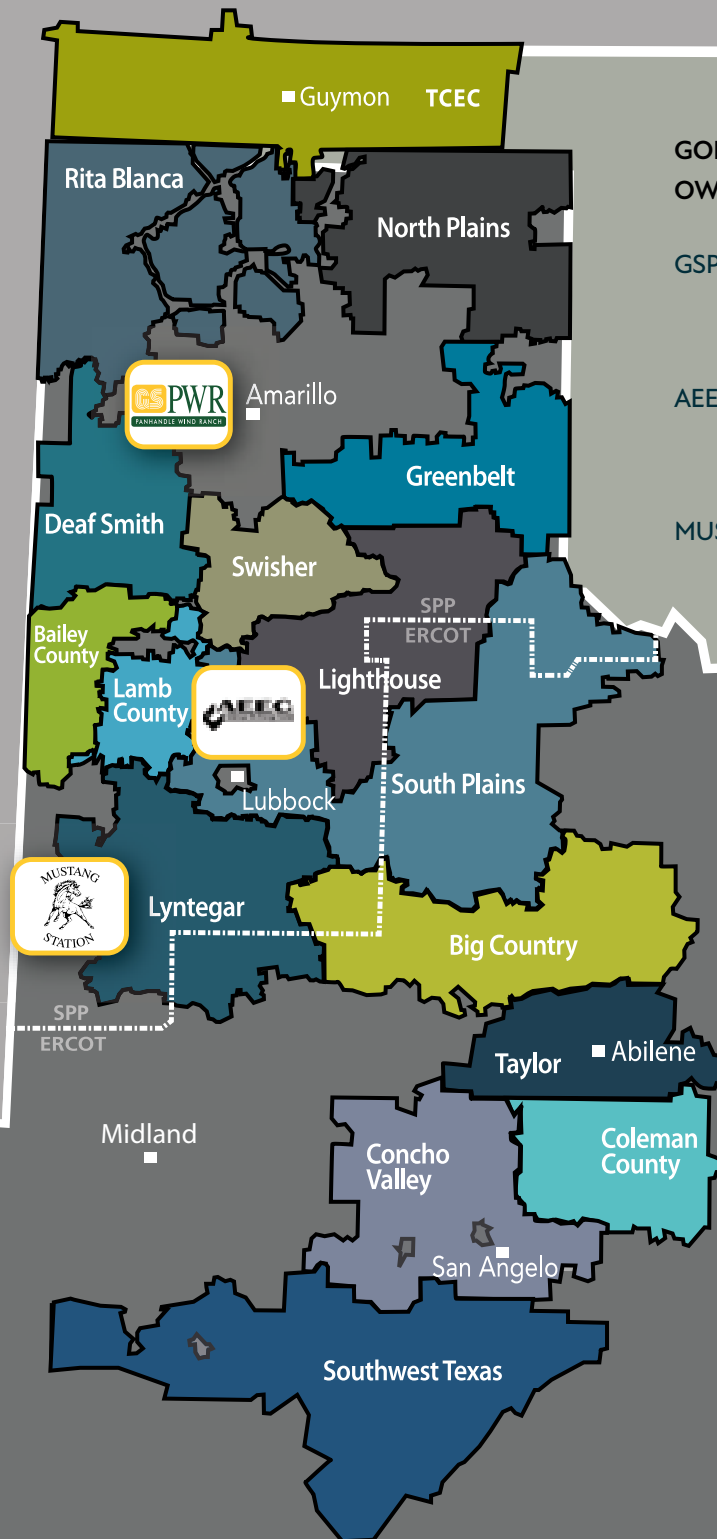
TRUSTED, **INNOVATIVE** and **FLEXIBLE**, we deliver competitive energy solutions

VALUES

INTEGRITY: Do the right thing for the right reason

COOPERATION/SERVICE: Collective service that is greater than individual efforts

RESPECT: The Golden Rule



GOLDEN SPREAD ELECTRIC COOPERATIVE, INC. OWNED POWER GENERATION FACILITIES

GSPWR Golden Spread Panhandle
Wind Ranch
(Units 1-34)

AEEC Antelope Elk Energy Center
Antelope Station (Units 1-18)
Elk Station (Units 1-3)

MUSTANG STATION
Combined Cycle (Units 1-3)
Simple Cycle (Units 4-6)



To see a digital version of this annual report, including financial information, scan this QR code with your phone's camera or visit gsec.coop/annual-reports.

To skip directly to the financial information, go to page 33.



Golden Spread
Electric Cooperative, Inc.

A Touchstone EnergySM Cooperative 

P.O. Box 9898 • Amarillo, TX 79105 • 806.379.7766 • www.gsec.coop

**GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.
AND SUBSIDIARIES**

Consolidated Financial Statements

December 31, 2022 and 2021

(With Independent Auditors' Report Thereon)

FINANCIAL INFORMATION

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12	CONSOLIDATED STATEMENTS OF CASH FLOWS
13	NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis provides an overview of the consolidated financial condition and results of operations of Golden Spread Electric Cooperative, Inc. (Golden Spread) and its wholly owned operating subsidiaries as of December 31, 2022 and 2021, and for the 12 months ended December 31, 2022 and 2021. On December 31, 2022, and 2021, the operating subsidiaries included Golden Spread Panhandle Wind Ranch, LLC (GSPWR) and GSEC Properties, LLC (GSEC Properties). GSPWR owns wind generation assets, and GSEC Properties owns a seven-story office building in which Golden Spread's headquarters are located.

The matters discussed in Management's Discussion and Analysis contain forward-looking statements that are based on estimates, forecasts and assumptions involving risks and uncertainties that could cause actual results or outcomes to differ from those expressed in these statements. Any forward-looking statements are based on information as of the date of this report.

OVERVIEW

Golden Spread

Golden Spread, headquartered in Amarillo, Texas, is a tax-exempt, consumer-owned public utility organized in 1984 to provide low-cost, reliable electric service for our rural distribution cooperative Members, located in the Electric Reliability Council of Texas (ERCOT) and the Southwest Power Pool (SPP) regions. Currently, our 16 Members supply power to approximately 318,424 services in place, representing approximately 259,242 Member-Consumers located in the Panhandle, South Plains and Edwards Plateau regions of Texas, the Panhandle of Oklahoma, and small portions of Southwest Kansas, Southeast Colorado and Northeast New Mexico. Six of our Members operate solely in SPP, four operate solely in ERCOT, and six operate in both regions. As not-for-profit rural electric distribution cooperatives owned and managed by their Member-Consumers, Golden Spread's Members are not subject to retail electric rate regulation by regulatory agencies in the states of Texas or Oklahoma, and retail electric rates are not regulated under federal law.

Golden Spread owns and operates a fleet of gas generation facilities to serve the loads of its Member Cooperatives. These resources provide quick-start energy to complement the abundance of wind energy in the Golden Spread territory.

Golden Spread also owns a wind generation facility and has power purchase agreements with two other wind energy providers. When the wind is blowing, these resources offer a lower-cost alternative to gas generation.

Golden Spread is committed to maintaining good financial metrics to support a strong balance sheet and providing good cash flows to support operations, capital expenditures and distribution to its Members. We continue to target the following financial objectives:

- Maintain long-term debt as a percentage of the total capitalization of 65-70%;
- Maintain equity as a percentage of the total capitalization of 30-35%;
- Maintain Debt Service Coverage (DSC) ratio of not less than 1.5 times; and
- Maintain cash working capital equal to 90 days of cash operating expenses (including interest) for operating liquidity supplemented with credit lines to provide the liquidity needed for other purposes, such as capital expenditures and collateral for credit markets.

Golden Spread strives to maintain our power supply plan to deliver competitive energy solutions for our Members. We continually evaluate how best to utilize existing plant capacity and be flexible in adding resources (e.g., owned and contracted) to our power supply portfolio, while achieving our targeted financial objectives and optimizing the rate charged to our Members.

We earn revenue and generate cash from operations by providing wholesale electric service. Our business is affected primarily by:

- Weather, particularly precipitation timing and amounts, affecting irrigation loads;
- Fuel prices;
- Geographic location in an area with an abundant supply of high-capacity wind energy;
- Prices of energy in the markets;
- Farm, oil and gas commodity prices, the primary industries in our Members' service territories;
- Economic conditions which could be affected by the coronavirus pandemic;
- Interest rates;
- Golden Spread's securities' credit ratings; and
- Regulation and regulatory matters.

Regulation

To protect and maximize the effectiveness of our power supply strategy, including the value of the physical assets and long-term agreements we have secured, Golden Spread must actively participate and advocate in regional markets and federal and state regulatory proceedings that affect our operations. Within the SPP, Golden Spread's rates for power sales and the rates it pays for purchases of wholesale power and interstate transmission services, which are later passed on to its Members through Golden Spread's wholesale rates, are regulated by the Federal Energy Regulatory Commission (FERC). Within the ERCOT region, Golden Spread's rates for wholesale power sales to Members are not subject to FERC jurisdiction, and the rates it pays for purchases of wholesale power and transmission services are regulated by the Public Utility Commission of Texas (PUCT). ERCOT and SPP market rules substantially affect the operations and financial performance of Golden Spread's generation fleet and power supply strategy. Also, other federal and state initiatives, such as those advanced by the Environmental Protection Agency (EPA) and the Texas Commission on Environmental Quality, affect Golden Spread's generation fleet.

Golden Spread's rate schedules for full requirements sales to its Members are formula rates that allow recovery of all Golden Spread's costs plus a margin and include the ability to modify margin contribution levels with the Board's approval. Golden Spread periodically submits amendments to one or more of those rate schedules to FERC for its SPP-based Members to provide specific services to Members through riders or other contract amendments or to modify or clarify recovery of costs in rates. Comparable amendments are made to ERCOT-based Member rate schedules but are not filed with the PUCT.

On March 18, 2022, Golden Spread submitted a filing to FERC, proposing a limited amendment to the Wholesale Power Contracts (WPC) rate schedules to add Rider H, a Standby Service Rider applicable where a participating Golden Spread Member is providing service to one of its retail load consumers who has elected to self-generate some or all of its power service requirements using an on-site generation facility with a rating of 250 KW or larger and a maximum rating of 5 MW, and on a case-by-case basis for larger projects. Golden Spread submitted an amendment to its filing on May 11, 2022. FERC accepted Rider H on September 16, 2022.

On May 2, 2022, Golden Spread made a filing at FERC, amending its WPCs, reflecting four categories of changes:

- (1) Section 1.A. of the WPC is amended to clarify the mutual full requirements obligation of the parties under the agreement;
- (2) Section 12 of the WPC is amended to clarify the Effective Date of the agreement and provide an opportunity to shorten the Term and requirement for a minimum the 10-year notice before termination;
- (3) Section 14 of the WPC is amended to clarify the existing Stranded Cost provision and to establish a new and detailed methodology to quantify Stranded Cost, with such methodology included as new Schedule E to Exhibit B of the WPC; and
- (4) Exhibit C of the WPC is amended to reflect an update to two long-term wind energy power purchase agreements that are part of Golden Spread's resource portfolio.

FERC accepted the filing on June 23, 2022, effective as of July 1, 2022.

On September 20, 2022, Golden Spread made a filing with FERC, amending its WPCs, to reflect three changes:

- (1) Updated depreciation rates based on a study of Mustang Generating Station Assets as recorded on Golden Spread's Formula Rate, and an accompanying new schedule with Golden Spread's Formula Rate Template located in Exhibit B, to list the new depreciation rates;
- (2) Rate treatment for deferral of the earnings impact of unrealized gains and losses on undesignated hedges until the underlying risk-mitigated transaction is settled and reflected in Member rates, and an accompanying language in Exhibit B, Schedule B (the System Service Rate); and
- (3) A periodic update to delivery points of six Members located in Exhibit A of the WPC.

FERC accepted the filing on October 25, 2022, effective as of November 19, 2022.

Golden Spread must also maintain authorization under Section 204 of the Federal Power Act to issue debt. Currently, Golden Spread is authorized to (1) issue short-term debt in an aggregate amount not to exceed \$600.0 million, (2) issue long-term debt in an aggregate amount not to exceed \$2.0 billion, and (3) continue to issue or assume notes in connection with the special facility transactions under Rider A of its wholesale rate. Current authorization to issue debt is through July 31, 2023.

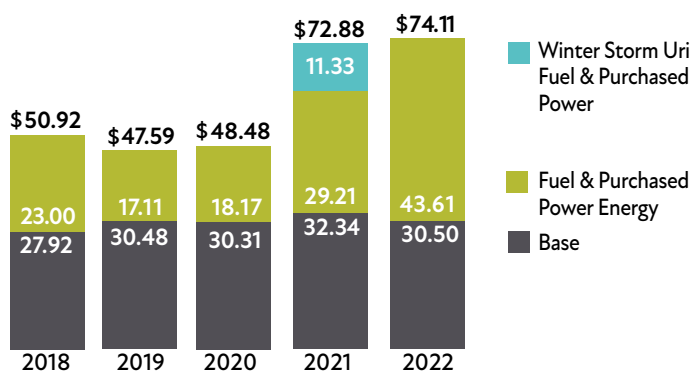
We actively monitor and participate in regulatory proceedings of power, transmission and natural gas suppliers because costs of generation and transmission suppliers ultimately affect costs passed on to our Members. Golden Spread is an active participant in FERC proceedings and subsequent appellate reviews involving terms and conditions for the procurement of transmission services from SPP, as well as the rules governing the operation of the SPP Integrated Marketplace, under which Golden Spread buys and sells services to serve its Members' loads. Included in these proceedings are cases that specifically affect transmission rates within the zones of the SPP from which we take service, as well as proceedings that can generally affect the market design, cost allocation, rules related to SPP governance or other terms and conditions of service.

Golden Spread has also intervened in PUCT cases that may affect Golden Spread or its Members' interests.

Golden Spread supports EPA's final rule to replace the Clean Power Plan (CPP) with the Affordable Clean Energy (ACE) Rule (for existing power plants). Golden Spread also supports EPA's revisions to the New Source Rule (for new, modified and reconstructed plants). EPA's replacement rules provide Golden Spread with the continued flexibility it needs to meet its Members' generation needs. On July 8, 2019, the American Lung Association and American Public Health Association filed the first petition challenging the ACE Rule in the U.S. Court of Appeals for the District of Columbia Circuit. Golden Spread's national cooperative industry group, the National Rural Electric Cooperative Association (NRECA), intervened in the case and filed its briefs in July 2020 in support of the ACE Rule. U.S. Court of Appeals for the D.C. Circuit rejected the ACE Rule on January 19, 2021. On October 29, 2021, the U.S. Supreme Court agreed to hear an appeal of the D.C. Circuit's decision vacating the ACE Rule. That hearing took place on February 28, 2022. Subsequently, on June 30, 2022, the U.S. Supreme Court overturned the U.S. Court of Appeals for the D.C. Circuit ruling, effectively allowing for the ACE to replace the CPP.

Rates

Average Rate to Members (\$/MWh)



Golden Spread utilizes market purchases to reduce Members' rates when market prices are less than its incremental production cost. In both 2022 and 2021, 63% of the energy needed to serve Members' loads was purchased from these markets. Natural gas prices averaged \$5.70 per MMBtu in 2022 compared to \$4.49 per MMBtu in 2021.

Due to an increase in load, base rates declined in 2022, though all expenses were generally higher in 2022. The 2022 Board-approved Equity Stabilization Charge (ESC) remained the same as in 2021.

RESULTS OF OPERATIONS

Sales

Sales are summarized in the following table:

SUMMARY OF SALES AND REVENUE

	Year Ended December 31	
	2022	2021
Operating Revenues (\$ in 000s)		
Member System Service Rate Sales (net of Deferred Member Sales of \$6,109 and \$3,804)	\$ 630,757	\$ 560,138
Member Rider A Sales	12,700	11,864
Nonmember Sales (net of Deferred Nonmember Margin of \$24,914 and \$1,692)	88,911	119,616
Recognized Nonmember Margins Deferred in Prior Years	14,140	36,323
Other	2,952	2,776
Total Operating Revenues	\$ 749,460	\$ 730,717
Megawatt-Hour Sales (MWh in 000s)		
SPP Member Sales	6,450	6,072
ERCOT Member Sales	2,061	1,614
Total Member Sales	8,511	7,686
Nonmember Sales (includes energy and ancillary services sales)	1,176	623
Total MWh Sales	9,687	8,309
Average Rate to Members (\$/MWh)	\$ 74.11	\$ 72.88

In 2022, the average rate to Members increased to \$74.11. Excluding Winter Storm Uri in 2021, 2022 reflects a significant increase in fuel and purchased power costs and a general trend of increased operating costs. Fuel and purchased power energy costs to Members averaged \$43.61 per MWh for the 12 months ended December 31, 2022, compared to the 2021 average price of \$29.21 per MWh (excluding Winter Storm Uri). Higher gas commodity costs affected the average fuel and purchased power energy costs.

Member megawatt-hour energy sales for 2022 were higher as compared to 2021. Member sales can be impacted by

the variability in the oil and gas industry and fluctuations in weather, which affect irrigation sales.

Since June 2019, a change implemented in Golden Spread's wholesale power contracts requires all nonmember margins and all major maintenance market revenue to be deferred as a regulatory liability. This change allows these revenues to be applied to future rate periods at the discretion of Golden Spread's Board of Directors. This resulted in \$24.9 million of revenue being deferred as a regulatory liability in 2022.

Net Margins

Margins include the annual Board-approved ESC, which establishes the amount of margin to be included in rates each year, nonmember sales and other sources of margins. The 2022 Board-approved Equity Stabilization Charge (ESC) remained the same as in 2021. Other sources include interest earned on cash balances and patronage income. Interest income is affected in both years due to variations in interest rates and cash balances. Net margins for 2022 were \$17.5 million compared to \$15.7 million for 2021. Golden Spread's formula rate allows for the recovery of all costs plus an approved margin.

Operating Expenses

Operating expenses are summarized in the table below:

<i>Dollars in thousands</i>	YTD Ended December 31	
	2022	2021
Fuel and Purchased Power Energy	\$ 441,353	\$ 448,875
Transmission	84,369	81,980
Plant Operations and Maintenance	55,652	50,055
Administrative and General	36,104	32,062
Depreciation	49,560	48,631
Amortization of Deferred Charges	17,040	3,945
Taxes Other than Income Taxes	6,265	6,944
Other	<u>17,523</u>	<u>14,417</u>
Total	<u>\$ 707,866</u>	<u>\$ 686,909</u>

The changes in fuel and purchased power energy costs are directly related to the volume of sales, fuel costs, the volume of energy purchased under third-party power purchase agreements, net settlements in the ERCOT and SPP markets, and the Winter Storm Uri impacts. For Members' loads, Golden Spread uses the lowest-cost resources available.

Plant Operation and Maintenance (O&M) expenses vary from year to year based on a variety of factors ranging from increased operations, schedule of required planned maintenance and maintenance cost resulting from unplanned outages, along with other expenses necessary for plant operations. The O&M

expenses increased in the current year primarily due to repairs of the Elk Unit 1 from the unplanned outage event in 2021, continued 16,000-hour maintenance on the Wärtsilä engines, and unplanned outage events with generators at Mustang Station.

Administrative and general costs were higher compared to 2021 due to increased costs for outside services and salaries.

Depreciation expense was higher in 2022 compared to 2021 due to the completion of the Mustang Station upgrade project. Amortization of deferred charges was higher in 2022 as it was the first full year of amortization of the deferred Winter Storm Uri expenses.

Liquidity and Capital Resources

As of December 31, 2022, Golden Spread had available cash and cash equivalents of approximately \$208.1 million. Golden Spread also had lines of credit totaling \$210.0 million for liquidity purposes, such as the financing of current capital projects, inventory purchases and for other liquidity needs. As of December 31, 2022, \$12.0 million was borrowed under these credit lines. At December 31, 2022, Golden Spread had \$14.2 million in Restricted Cash held with a broker in a margin account. There are no restrictions, limitations or pledges of cash or any other assets other than as separately identified on the financial statements and in the footnotes. In February 2021, Golden Spread renewed a four-year line of credit agreement with National Rural Utilities Cooperative Finance Corporation (CFC) for \$80.0 million. In June 2021, Golden Spread closed on a three-year \$90.0 million line of credit with CoBank. In October 2021, Golden Spread renewed an unsecured committed line of credit for \$40.0 million (previously \$20.0 million) from Amarillo National Bank for a term of two years.

LINE OF CREDIT USAGE

	Years Ended December 31	
	2022	2021
Amount Borrowed on Lines of Credit (in Millions)	\$ 12.0	\$ 4.2
Average Interest Rate	3.87%	2.38%

CONTRACTUAL OBLIGATIONS AT DECEMBER 31, 2022

The following table details our fixed contractual obligations for 2023 through 2027.

<i>Dollars in thousands</i>	PAYMENTS DUE			
	Total 2023-2027	2023	2024-2025	2026-2027
Principal Payments on Long-Term Debt	\$ 213,793	\$ 44,336	\$ 91,143	\$ 78,314
Interest Payments on Long-Term Debt	110,216	25,456	45,687	39,073
Purchased Power Obligations ¹ - Energy	195,665	47,129	74,120	74,416
Firm Gas Transportation	63,680	12,736	25,472	25,472
Service Maintenance Agreement	929	929	-	-
Wind Ranch Land Lease - Minimum Rent	4,235	847	1,694	1,694
Operating Leases	<u>1,456</u>	<u>388</u>	<u>676</u>	<u>392</u>
Total	<u>\$ 589,974</u>	<u>\$131,821</u>	<u>\$ 238,792</u>	<u>\$ 219,361</u>

¹Based on estimated energy delivered and forecasted pricing

Recognizing the need for equity and liquidity for operations, balanced with the Board's desire to make annual patronage and contributed capital refunds, the Board currently employs a patronage capital retirement policy of refunding annually a percentage of the prior year-end equity balance. In 2023, the Board authorized a patronage payment of \$13.7 million, which was paid in March 2023. In 2022, the same amount of patronage was authorized and paid.

The target ratios and objectives guide management and the Board of Directors in establishing annual budgets, setting rates (including the annual ESC to be included in rates) and determining the level of patronage and contributed capital retirements to our Members. Our financial policies are designed to maintain capital and liquidity sufficient to provide for the financing of any future capital expenditures with an appropriate mix of debt and equity while maintaining strong financial metrics.

In September 2022, Standard & Poor's Rating Services reaffirmed its rating of Golden Spread to an A+. In July 2022, Fitch Ratings reaffirmed its rating on our 2005 Series senior secured debt of AA-, with a stable outlook. In February 2023, Moody's Investor Services reaffirmed its general corporate credit rating of A2 (unsecured) with a stable outlook.



KPMG LLP
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Independent Auditors' Report

Board of Directors
Golden Spread Electric Cooperative, Inc.:

Opinion

We have audited the consolidated financial statements of Golden Spread Electric Cooperative, Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of income, changes in Members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, in 2022, the Company adopted new accounting guidance related to Financial Accounting Standards Board Accounting Standards Codification Topic 842, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher



than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Albuquerque, New Mexico
April 24, 2023

**GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.
AND SUBSIDIARIES**

Consolidated Balance Sheets

December 31, 2022 and 2021

Assets	2022	2021
Utility plant at cost:		
Electric plant in service	\$ 1,214,153,398	1,184,142,931
Capital maintenance	38,164,016	38,164,016
Construction work in progress	8,468,861	1,279,958
Less accumulated depreciation – plant and equipment	419,493,911	385,387,105
Less accumulated amortization – capital maintenance	14,810,263	5,170,003
Total utility plant	<u>826,482,101</u>	<u>833,029,797</u>
Other property and investments – at cost or stated value:		
Investments in associated organizations and special funds	7,827,225	7,289,519
Other property	14,261,728	15,024,322
Total other property and investments	<u>22,088,953</u>	<u>22,313,841</u>
Current assets:		
Cash and cash equivalents	208,064,652	181,380,373
Restricted cash	14,196,446	—
Accounts receivable	40,339,876	34,269,875
Prepaid expenses and other current assets	59,266,897	63,942,943
Current deferred charges	32,838,105	18,076,046
Total current assets	<u>354,705,976</u>	<u>297,669,237</u>
Other assets:		
Deferred charges	85,522,855	102,826,985
Other charges	190,000	660,176
Total other assets	<u>85,712,855</u>	<u>103,487,161</u>
Total assets	<u>\$ 1,288,989,885</u>	<u>1,256,500,036</u>
Members' Equity and Liabilities		
Members' equity:		
Patronage capital	\$ 456,964,230	452,931,831
Contributed capital	9,521,547	9,773,525
Total members' equity	<u>466,485,777</u>	<u>462,705,356</u>
Long-term debt:		
Mortgage notes less current maturities	566,913,140	603,117,356
Current liabilities:		
Current maturities of long-term debt	44,335,805	40,709,198
Line of credit	12,010,109	4,204,905
Accounts payable	11,250,127	28,075,404
Other accrued expenses	87,112,598	52,136,047
Current lease liabilities	1,021,674	—
Current regulatory liabilities	17,961,601	14,140,260
Total current liabilities	<u>173,691,914</u>	<u>139,265,814</u>
Deferred credits:		
Asset retirement obligations	4,677,551	4,482,559
Other deferred credits	3,184,403	3,681,934
Lease liabilities	11,428,042	—
Regulatory liabilities	62,609,058	43,247,017
Total deferred credits	<u>81,899,054</u>	<u>51,411,510</u>
Commitments and contingencies	—	—
Total members' equity and liabilities	<u>\$ 1,288,989,885</u>	<u>1,256,500,036</u>

See accompanying notes to consolidated financial statements.

**GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.
AND SUBSIDIARIES**

Consolidated Statements of Income

Years ended December 31, 2022 and 2021

	2022	2021
Operating revenues:		
Wholesale power sales	\$ 733,808,269	716,076,239
Other operating revenues	15,651,311	14,640,575
Total operating revenues	749,459,580	730,716,814
Operating expenses:		
Purchased power	235,000,519	267,392,038
Fuel expense	206,352,221	181,484,026
Transmission expense	84,369,367	81,980,114
Other power supply expense	934,112	1,837,978
Plant operations and maintenance	54,717,378	48,217,447
Other operating expense	17,523,372	14,416,727
Administrative and general	36,103,911	32,061,728
Depreciation and amortization	49,559,545	48,630,767
Amortization of deferred charges	17,039,988	3,945,005
Taxes other than income taxes	6,265,230	6,943,524
Total operating expenses	707,865,643	686,909,354
Operating margins – before fixed charges	41,593,937	43,807,460
Fixed charges:		
Short-term interest	1,024,338	1,212,094
Interest on long-term debt	25,842,092	25,996,015
Amortization of debt issuance costs	288,426	216,800
Total fixed charges	27,154,856	27,424,909
Operating margins – after fixed charges	14,439,081	16,382,551
Nonoperating margins:		
Interest and capital credit income	4,360,349	1,313,064
Gain on disposition of property	—	53,805
Other expense	(1,319,009)	(2,063,475)
Total nonoperating margins	3,041,340	(696,606)
Net margins	\$ 17,480,421	15,685,945

See accompanying notes to consolidated financial statements.

**GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.
AND SUBSIDIARIES**

Consolidated Statements of Changes in Members' Equity
Years ended December 31, 2022 and 2021

	<u>Patronage capital</u>	<u>Contributed capital</u>	<u>Total</u>
Balance, December 31, 2020	\$ 437,245,886	9,773,525	447,019,411
Net margins – 2021	<u>15,685,945</u>	<u>—</u>	<u>15,685,945</u>
Balance, December 31, 2021	452,931,831	9,773,525	462,705,356
Net margins – 2022	17,480,421	—	17,480,421
Patronage/contributed capital retirement	<u>(13,448,022)</u>	<u>(251,978)</u>	<u>(13,700,000)</u>
Balance, December 31, 2022	<u>\$ 456,964,230</u>	<u>9,521,547</u>	<u>466,485,777</u>

See accompanying notes to consolidated financial statements.

**GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows
Years ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Net margins	\$ 17,480,421	15,685,945
Adjustments to reconcile net margins to net cash (used in) provided by operating activities:		
Depreciation and amortization	66,599,533	48,630,767
Gain on disposition of property and other write-offs	—	(53,805)
Capital credits	(1,183,282)	(970,201)
Changes in assets and liabilities:		
Deferred charges	(14,497,917)	(118,753,738)
Other charges	650,601	(84,111)
Deferred credits	(497,531)	1,277,001
Regulatory liabilities	23,183,382	(31,329,874)
Accounts receivable	(6,070,001)	(4,305,649)
Prepaid expenses and other current assets	(5,654,978)	(3,048,364)
Payables and other accrued expenses	25,766,163	(5,568,743)
Net cash provided by (used in) operating activities	105,776,391	(98,520,772)
Cash flows from investing activities:		
Additions to utility plant	(38,283,659)	(21,663,290)
Additions to capital maintenance	—	(2,579,832)
Proceeds from sale of assets	—	234,490
Insurance proceeds	10,632,653	—
Changes to other property	762,594	630,945
Investments in associated organizations and other	645,576	541,659
Net cash used in investing activities	(26,242,836)	(22,836,028)
Cash flows from financing activities:		
Retirement of patronage and contributed capital	(13,700,000)	—
Payments on long-term debt	(42,701,489)	(275,314,970)
Advance on long-term debt	9,943,455	369,873,530
Repayments – line of credit	(82,927,545)	(273,415,962)
Borrowings – line of credit	90,732,749	273,415,963
Net cash (used in) provided by financing activities	(38,652,830)	94,558,561
Increase (decrease) in cash and cash equivalents	40,880,725	(26,798,239)
Cash and cash equivalents, and restricted cash – beginning of year	181,380,373	208,178,612
Cash and cash equivalents, and restricted cash – end of year	\$ 222,261,098	181,380,373
Cash and cash equivalents	\$ 208,064,652	181,380,373
Restricted cash	14,196,446	—
Total cash, cash equivalents and restricted cash	\$ 222,261,098	181,380,373
Supplemental disclosures:		
Interest paid during the year	\$ 26,226,150	26,562,487
Noncash investing and financing transactions:		

In 2022, Golden Spread had significant noncash transactions: transfer of \$2,857,993 from other current assets to electric plant in service, \$1,157,976 of additions to utility plant in payables and accrued expenses.

In 2021, Golden Spread had significant noncash transactions: the transfer of \$35,451,093 from Prepaid Capital Maintenance to Capital Maintenance, transfer of \$7,139,108 from other current assets to electric plant in service, \$8,772,864 of additions to utility plant in payables and accrued expenses and \$133,091 of additions to capital maintenance in payables and accrued expenses.

See accompanying notes to consolidated financial statements.

**GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(1) Organization and Operations

Golden Spread Electric Cooperative, Inc. (Golden Spread Inc.) is a public utility, organized in 1984 to provide low cost, reliable electric service. Golden Spread Inc. is owned by 16 rural electric distribution cooperatives (referred to as Members) that provide service to their members in the Panhandle, South Plains, and Edwards Plateau regions of Texas; in the Panhandle of Oklahoma; small portions of Southwest Kansas; and of Southeast Colorado. The Members' loads served by Golden Spread Inc. are located in the Electric Reliability Council of Texas (ERCOT) and the Southwest Power Pool (SPP) regions.

The consolidated financial statements include the accounts of Golden Spread Inc. and its wholly owned operating subsidiaries, Golden Spread Panhandle Wind Ranch, LLC (GSPWR) and GSEC Properties, LLC (GSEC Properties), as of and for the years ended December 31, 2022 and 2021. Another subsidiary, Mid-Tex Generation and Transmission Electric Cooperative, Inc. (Mid-Tex) has no operations at this time. The consolidated entity is collectively referred to as Golden Spread. Golden Spread's headquarters are located in Amarillo, Texas.

Golden Spread is subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC) for corporate and rate regulation related to its activities in SPP, and is subject to the regulation of the Public Utility Commission of Texas for certain activities in both ERCOT and SPP.

(2) Summary of Significant Accounting Policies

The accounting records of Golden Spread are maintained in accordance with U.S. generally accepted accounting principles (GAAP).

(a) Principles of Consolidation

The consolidated financial statements include the accounts of Golden Spread Inc. and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

(b) Operating Revenues

Under the Golden Spread tariff for sales to its Members, Golden Spread bills its Members monthly based on budgeted costs and metered usage. The tariff provides that there will be a reconciliation of actual costs incurred to the amounts billed. Amounts billed to Members in excess of or less than recoverable costs under rate tariffs are accrued as an addition or reduction of revenues and as a current asset or current liability to the Members on the consolidated balance sheet.

Golden Spread also has sales of energy to nonmembers that are billed monthly and sales of energy to nonmembers through the ERCOT and SPP Integrated Marketplaces that are settled daily or weekly depending on the market.

Other operating revenues consist primarily of special facilities charges billed to Members for use of transmission and distribution assets.

All amounts receivable from Members and nonmembers are considered collectible; therefore, no allowance was recorded as of December 31, 2022 and 2021.

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(c) Utility Plant

Utility plant is stated at original cost. The capitalized cost of additions to utility plant includes the cost of material, contract services and various other indirect charges, such as interest on funds used during construction. Retirements or other dispositions of utility plant are based on historical cost or other valuation methods that are deducted from plant and are charged to accumulated depreciation. If determinable, the gains and losses on the disposition of certain assets have been reflected on the income statement. The cost of repairs and minor renewals is charged to maintenance expense in the period incurred.

Depreciation of utility plant is provided using straight-line depreciation rates over the following estimated useful lives:

Production plant	15–36 Years
Transmission and distribution plant	6–70 Years
Gas interconnections	15 Years
General plant	3–10 Years

(d) Allowance for Borrowed Funds Used During Construction (AFUDC)

AFUDC represents the cost of interest capitalized during the construction period. AFUDC was zero in 2022 and 2021.

(e) Debt Issuance Costs

Debt issuance costs are amortized using the effective-interest method over the life of the underlying debt. Debt issuance cost, net of amortization, of \$1.6 million and \$1.7 million for 2022 and 2021, respectively, is presented as a reduction of the carrying amount of long-term debt.

(f) Cash and Cash Equivalents and Restricted Cash

For purposes of the consolidated financial statements, Golden Spread considers cash and investments with an original maturity of 90 days or less as cash and cash equivalents.

Golden Spread has presented restricted cash separately from cash and cash equivalents in the consolidated balance sheets.

(g) Inventory

Inventories are stated at cost and are included in prepaid expenses and other current assets in the accompanying consolidated balance sheets. Supervisory Control and Data Acquisition (SCADA) inventory are stated using the first-in, first-out method. The plant spare parts inventories are stated using the weighted average cost method.

(h) Other Property

At December 31, 2022 and 2021, other property includes land, water rights, and a seven-story office building in which Golden Spread's headquarters are located.

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(i) Regulatory Assets and Liabilities

Golden Spread is subject to the accounting requirements related to regulated operations. In accordance with these accounting requirements, some revenues have been deferred at the discretion of the Board, which has budgetary and rate-setting authority, if it is probable that these amounts will be refunded or recovered through future rates. Regulatory assets are costs Golden Spread expects to recover from its Members based on rates approved by the Board in accordance with Golden Spread's rate policy. Regulatory liabilities represent probable future amounts that are expected to be refunded to Members based on rates approved by the Board in accordance with Golden Spread's rate policy.

(j) Concentrations of Credit Risk

The Member cooperatives are largely dependent on agricultural industry usage and, to a lesser extent, oil and gas industry usage.

Golden Spread maintains cash balances with various financial institutions insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, cash balances may exceed insurance coverage. Golden Spread also maintains cash balances with two cooperative banks whose deposits are not federally insured.

(k) Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(l) Income Taxes

Golden Spread is a cooperative corporation that is tax-exempt under Internal Revenue Code Section 501(c)(12) in years where 85% of its gross income (as defined) is derived from sales to Members (the 85% Test). For the years ended December 31, 2022 and 2021 Golden Spread met the 85% Test and qualifies for the tax exemption.

Golden Spread's wholly owned subsidiary, GSPWR is taxable as a C corporation under the Internal Revenue Code. GSEC Properties is a single-member LLC and is a disregarded entity of Golden Spread for income tax purposes.

Golden Spread has adopted the uncertain tax positions provisions of GAAP. For the years ended December 31, 2022 and 2021, the primary tax position of Golden Spread is its filing status as a tax-exempt entity based on the annual 85% Test discussed above and the primary tax positions of GSPWR are the timing differences impacting taxable income. Golden Spread and GSPWR have determined that it is more likely than not that these tax positions will be sustained upon examination by the Internal Revenue Service or other state taxing authority and that all tax benefits are likely to be realized upon settlement with taxing authorities.

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In years where Golden Spread is recognized as a tax-exempt cooperative, Golden Spread, including GSEC Properties (whose income, as a disregarded entity, is reported on Golden Spread's tax return), GSPWR and any former wholly owned subsidiaries file separate income tax returns in the U.S. federal jurisdiction. Golden Spread and its subsidiaries are no longer subject to income tax examinations by federal taxing authorities for years before 2019.

(m) Fair Value Measurements

Golden Spread utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. Golden Spread determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. Assessing the significance of a particular input to the fair value measurement requires judgment considering factors specific to the asset or liability. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that Golden Spread has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 inputs are unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

(n) Leases

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Codification (ASC) 2016-02, *Leases* (Topic 842), followed by related amendments (collectively, "the new lease standard"). Most prominent among the changes in the new lease standard is the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet by lessees for those leases classified as operating leases under current GAAP. Under the new lease standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Golden Spread adopted the new lease standard effective January 1, 2022, using the modified retrospective transition approach with a cumulative-effect adjustment to Members' equity. Golden Spread did not adjust the comparative period financial information or make the new required lease disclosures for periods before the adoption date. Golden Spread elected the package of transition practical expedients, which among other things, allowed Golden Spread to carry forward historical lease classifications. Golden Spread also elected to not use the hindsight practical expedient to determine the lease term for existing leases. For land easements, Golden Spread elected the practical expedient provided by ASU No. 2018-01 *Leases: Land Easement Practical Expedient for Transition to Topic 842*. Only those easement contracts entered on or after January 1, 2022, will be evaluated to determine if lease treatment is appropriate.

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Other than first-time recognition of operating leases in the consolidated balance sheets, the implementation of the new lease standard did not have a significant impact on Golden Spread's consolidated financial statements. Adoption of the new lease standard resulted in the recognition of approximately \$13.2 million of operating lease ROU assets, which are presented in electric plant in service on the consolidated balance sheet, and \$13.2 million of operating lease liabilities as of January 1, 2022. See Note 17 for Golden Spread's new lease accounting policy and disclosures related to this guidance.

Key estimates and judgments when evaluating a lease include:

- If a lease does not provide an implicit rate, Golden Spread uses the risk-free rate for a consistent term in determining the present value of future payments.
- The lease term includes options to extend or terminate the lease when it is reasonably certain that Golden Spread will exercise those options.
- If a lease contains non-lease components they are not separated from lease components.

The lease liability is recorded at the commencement date based on the present value of the future minimum lease payments over the lease term. The lease liability is subsequently measured at amortized cost using the effective-interest method. The current portion of lease liabilities is included in current liabilities and the long-term portion of lease liabilities is included in other deferred credits in the consolidated balance sheets.

The ROU asset is recorded at the commencement date at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received. The ROU asset is subsequently measured at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received.

Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Variable lease payments associated with certain power purchase agreements and land agreements do not depend on an index or rate and therefore are recognized when the event, activity, or circumstance in the lease agreement on which those payments are assessed occurs. These variable lease payments are presented as either purchased power expense or plant operations and maintenance in the consolidated statements of income.

Golden Spread has elected not to recognize ROU assets and lease liabilities for short-term leases that have a term of 12 months or less. Therefore, Golden Spread does not recognize a ROU asset or lease liability for such contracts; the lease payments for these short-term leases is recognized as an expense on a straight-line basis over the lease term.

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(3) Utility Plant

The components of utility plant are summarized as follows:

	December 31	
	2022	2021
Plant in service:		
Land	\$ 2,826,034	2,826,034
Production plant	994,144,627	982,234,743
Transmission and distribution plant	171,153,873	167,714,330
General plant	33,579,148	31,367,824
Right-of-use assets	12,449,716	—
Total plant in service	1,214,153,398	1,184,142,931
Capital maintenance	38,164,016	38,164,016
Construction work in progress	8,468,861	1,279,958
Total utility plant	\$ 1,260,786,275	1,223,586,905

At December 31, 2022 and 2021, construction work in progress consisted primarily of construction expenditures related to production, transmission, and distribution plant.

Transmission and distribution plant consist of assets that Golden Spread constructs or acquires for the benefit of individual Members. The debt associated with special facilities is secured by mortgages with National Rural Utilities Cooperative Finance Corporation (CFC) on the transmission and distribution plant.

Transmission and distribution plant are excluded from the Trust Indenture (Note 8) under which other Golden Spread property is pledged. All operating costs and the related debt service costs of transmission and distribution plant are recovered from the Members who benefit from the facilities.

In April 2021, during the regular schedule maintenance on Mustang Station Unit 3 (steam turbine) damage was found to the medium-pressure and high-pressure sections of the steam turbine. The additional maintenance to the damaged sections of the steam turbine resulted in the unit being out of service until January 2022. As of December 31, 2022, \$7.4 million of costs were incurred. Golden Spread has a comprehensive insurance policy and has filed an insurance claim to recover the costs incurred, less Golden Spread's insurance deductible. As of December 31, 2022, Golden Spread has accrued \$0.8 million in prepaid expenses and other current assets in the balance sheets associated with the anticipated insurance recoveries.

In October 2021, Elk Unit 1 experienced an unplanned outage event. Upon inspection, extensive internal damage was found and removal and replacement of the damaged components began in November 2021. As of December 31, 2022, \$13.0 million of costs were incurred. The unit was brought back on line in May 2022. Golden Spread has a comprehensive insurance policy and has filed an insurance claim to recover the costs incurred, less Golden Spread's insurance deductible. As of December 31, 2022, Golden

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Spread has received \$10.0 million in insurance proceeds and has accrued \$1.6 million in prepaid expenses and other current assets in the balance sheets associated with the anticipated insurance recoveries, and offset it to Electric Plant in Service.

Capital Maintenance is accounted for using the deferral method of accounting (Note 5). During 2020, the capital maintenance for Mustang Unit 1 was in process at December 31, 2020, and the capitalized maintenance cost was included in the prepaid maintenance account (Note 5). During the year ended December 31, 2021, the third major inspection for Mustang Unit 1 and Unit 2 was completed. The actual cost of each unit's maintenance is capitalized and amortized to the next scheduled maintenance interval estimated to be in 2024 and 2025.

(4) Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents are summarized as follows:

	December 31	
	2022	2021
Cash	\$ 7,292,963	10,415,863
Commercial paper and certificate of deposit	14,274,437	11,057,908
CFC select notes	184,445,117	157,829,246
CFC daily fund investment	2,052,135	2,077,356
Total cash and cash equivalents	\$ 208,064,652	181,380,373

Cash and cash equivalents are recorded at cost, which approximates fair value. The commercial paper and certificate of deposit matured by January 4, 2023 and had interest rates ranging from 3.00% to 3.50%. The CFC select notes matured by March 21, 2023 and had interest rates ranging from 3.52% to 4.05%. The CFC daily fund investments earn interest at a variable interest rate (2.3% at December 31, 2022).

Restricted Cash

Restricted cash consists of cash held with a broker in a margin account that is used to purchase natural gas futures and options contracts.

(5) Long-Term Service and Parts Agreement

Golden Spread has a long-term service and parts supply and parts repair agreement (LTSPA) covering certain Mustang station units to provide service and labor for major maintenance of generation equipment, certain parts and refurbishment services, other spare parts at discount prices, and other factory repair services. The LTSPA has a base fee for each gas turbine, with provisions for index adjustments and operational adjustments. Golden Spread made payments of \$2.6 million in 2021, and no payments were made in 2022. The associated maintenance costs under this agreement are initially accounted for by expensing a portion of the cost related to yearly monitoring and diagnostic services, and the remainder of the cost is recorded using the deferral method of accounting and is recorded as capital maintenance in the accompanying consolidated balance sheets when the related maintenance services are performed. The amounts paid in advance, other than the annual expense amount, are initially recorded in the prepaid

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capital maintenance account. In 2021, the third major inspection for both Mustang Unit #1 and Mustang Unit #2 was completed. The amounts recorded in the prepaid account were transferred to capital maintenance and are being amortized to the next scheduled maintenance interval estimated to be in 2024 and 2025.

The LTSPA was amended in 2021, changing the expiration date related to maintenance of the units to expire after the third major inspection, which occurred December 2021. However, the spare parts discounts and factory repair services will remain in effect through November 2024.

(6) Deferred and Other Charges

Deferred and other charges consist of the following:

	December 31	
	2022	2021
Deferred charges:		
Regulatory asset – deferred Winter Storm Uri costs	\$ 99,859,434	116,807,923
Regulatory assets – deferred fuel and purchased power expense	15,611,897	1,127,557
Regulatory assets – other	1,853,137	2,663,237
Other deferred charges	1,036,492	304,314
	118,360,960	120,903,031
Less current deferred charges	(32,838,105)	(18,076,046)
Total deferred charges	\$ 85,522,855	102,826,985
Other charges:		
Unamortized line of credit fees	\$ 190,000	298,000
Prepaid pension	—	362,176
Total other charges	\$ 190,000	660,176

Deferred and other charges consist of regulatory assets as well as other assets. In February 2021, the electric power markets in Texas were significantly impacted by Winter Storm Uri. Golden Spread recorded a regulatory asset in 2021 to defer recovery of a portion of the fuel expense and purchased power costs associated with Winter Storm Uri. At December 31, 2022, the balance of this regulatory asset was \$99.9 million, of which \$16.9 million is reflected as current deferred charges. These costs will be amortized over five, seven, and ten years based on Golden Spread's tariff. The amortization periods were established based on the period over which Golden Spread's Members elected to defer the recovery of their portion of the deferred Winter Storm Uri costs. In 2022 and 2021, \$16.9 million and \$3.9 million, respectively of the deferred costs associated with Winter Storm Uri were recorded as amortization of deferred charges.

The regulatory assets deferred fuel and purchased power expense represents outstanding derivative liabilities of \$11.9 million (Note 7) and \$3.7 million of losses on fuel hedges which are deferred as an

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adjustment to fuel expense as allowed under Golden Spread's formula rate. Other regulatory assets include \$1.2 million of Special Facility Assets (SFA), which are being amortized by the participating Member system over the average remaining life of those assets. In addition, \$0.4 million of unamortized prior service cost related to the Executive Benefit Restoration Plan is being amortized over the average future working lifetime of plan participants (Note 14).

(7) Derivative Instruments and Hedging

Golden Spread routinely enters into physical commodity contracts for purchases of natural gas, energy and capacity sales contracts with its Members. These types of contracts qualify for the normal purchases and normal sales exception under GAAP.

Golden Spread periodically uses derivative instruments to reduce the volatility of its costs for natural gas and energy. Any instrument not qualifying for the normal purchases and normal sales exception is recorded on the consolidated balance sheets at fair value. Changes in the fair value for those derivative instruments are reflected as a regulatory asset or liability. In 2022, Golden Spread entered into a forward energy contract as well as contracts for natural gas fixed price swaps and index swaps. The fair market value, based on Level 1 observations of broker quotes was recorded as regulatory assets and a derivative liability of \$11.9 million at December 31, 2022 and \$1.1 million at December 31, 2021.

In addition, Golden Spread periodically purchases Financial Transmission Rights (FTR) to manage future cash flows from congestion in energy markets. FTRs are purchased from ERCOT or SPP, and the value is derived from congestion revenues on a transmission path. These derivatives do not meet the normal purchases and normal sales exception and are recorded at fair value of \$5.8 million and \$0.5 million at December 31, 2022 and 2021, respectively, in the prepaid expenses and other current assets section of the balance sheet (Note 10). Any gains or losses are recorded as an adjustment to purchased power expense and accrued as over or under recovery of revenue as allowed under Golden Spread's formula rate.

Golden Spread's FTR assets are valued based on forward pricing from current auctions for the same paths. FTR values are affected by many factors. In addition to overall transmission load, values can be affected by unplanned outages, scheduled maintenance, weather, changes in the cost of fuels used in generation and other areas that affect overall demand for electricity. These are less observable inputs, and therefore are assigned as Level 3 fair value measurement.

Changes in Level 3 FTR derivatives are as follows:

	December 31	
	2022	2021
Balance at January 1	\$ 8,274,193	11,479,294
Purchases	12,949,179	7,836,216
Settlements	(9,726,967)	(11,478,535)
Net gains recorded as regulatory liability	5,426,927	437,218
Balance at December 31	<u>\$ 16,923,332</u>	<u>8,274,193</u>

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(8) Long-Term Debt

Long-term debt is summarized as follows:

	December 31	
	2022	2021
5.75% senior secured notes, due through 2025	\$ 10,716,500	14,595,400
5.00% senior secured note, due through 2043	62,073,303	63,773,865
4.95% senior secured notes, due through 2041	117,985,668	121,663,251
4.35% senior secured notes, due through 2031	139,123,862	151,515,279
3.93% senior secured note, due through 2045	16,863,926	17,330,152
3.82% senior secured notes, due through 2045	33,784,090	34,718,252
3.75% senior secured note, due through 2045	33,739,691	34,679,037
3.50%–7.60% fixed rate mortgage notes, due through 2050	95,542,455	88,585,932
2.13% senior secured note, due through 2026	20,346,027	25,500,000
2.66% senior secured note, due through 2031	27,271,886	30,000,000
2.22% senior secured note, due through 2026	17,072,241	21,109,243
2.44% senior secured note, due through 2028	3,856,781	4,446,604
2.68% senior secured note, due through 2031	32,814,602	36,460,669
Variable rate mortgage notes, due through 2047	1,609,897	1,181,278
	612,800,929	645,558,962
Debt issuance costs	(1,551,984)	(1,732,408)
Less current maturities	44,335,805	40,709,198
	\$ 566,913,140	603,117,356

In May 2021, Golden Spread closed on a 2-year, \$250.0 million note with an interest rate of 2.45% with CFC. This note was entered into as a bridge loan until longer term financing could be arranged to cover the costs of Winter Storm Uri. This loan was paid off completely in November 2021, when longer term notes were executed as described below.

On November 16, 2021, Golden Spread closed on a 5-year \$21.1 million note with an interest rate of 2.22%; a 7-year \$4.4 million note with an interest rate of 2.44%, and a 10-year \$36.5 million note with a rate of 2.68% with CFC, all of which are senior secured. Also, on November 16, 2021, Golden Spread closed on a 5-year \$25.5 million note with an interest rate of 2.13% and a 10-year \$30.0 million note with an interest rate of 2.66% with CoBank that are senior secured. Proceeds from these notes were used to finance the deferred fuel and purchased power costs from Winter Storm Uri.

The senior secured notes are fully amortizing over the term of the notes, and are secured under a Trust Indenture, amended and restated as of June 29, 2012, as supplemented (the Trust Indenture). Pursuant to the Trust Indenture, Golden Spread has created a first lien on certain tangible and intangible assets in favor of the indenture trustee to secure debt issued under the Trust Indenture on a pro rata basis. Golden Spread's subsidiary issues notes under a trust indenture substantially identical to the Trust Indenture.

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These notes constitute “Qualifying Securities” under the Trust Indenture and are assets of Golden Spread. Assets held under the Trust Indenture totaled \$1,008 million at December 31, 2022, and includes land, production plant, plant-related general plant, and Designated Qualifying Securities of GSPWR (eliminated in consolidation), as reported on the consolidated balance sheets. The Trust Indenture requires Golden Spread to establish and collect rates for the use or the sale of the output, capacity, or service of its system that, together with other revenues available to Golden Spread, are reasonably expected to yield a Margins for Interest Ratio of at least 1.10 for each fiscal year. The Trust Indenture also contains restrictions on distributions by Golden Spread to its Members. The Trust Indenture also contains certain other covenants which include the maintenance of (i) patronage capital and contributed capital in an amount of not less than \$50.0 million and (ii) a debt service coverage ratio of not less than 1.25. At December 31, 2022 and 2021, Golden Spread met all requirements of the Trust Indenture.

The variable and fixed rate mortgage notes are due in either monthly or quarterly installments and are secured by Golden Spread’s transmission and distribution assets (with a net book value of \$97.4 million and \$97.5 million at December 31, 2022 and 2021, respectively) and the revenues recoverable through the special facilities charges associated with the transmission and distribution assets. These assets are excepted from the Trust Indenture, and the variable and fixed rate mortgage notes are not secured under the Trust Indenture. GSEC Properties assets are also excluded from the Trust Indenture.

As of December 31, 2022, annual maturities of long-term debt for the next five years are as follows:

2023	\$	44,335,805
2024		45,777,031
2025		45,365,886
2026		42,802,949
2027		35,510,657

(9) Short-Term Credit Facilities

Borrowings under short-term credit facilities are summarized as follows:

	December 31	
	2022	2021
Borrowings under lines of credit at weighted average rates of 3.87% and 2.38% at December 31, 2022 and 2021, respectively	\$ 12,010,109	4,204,905

In May 2017, Golden Spread closed on a four-year line-of-credit agreement with CFC for \$80.0 million. In February 2021, Golden Spread renewed this \$80.0 million line-of-credit for four years. The new agreement bears interest at the CFC line of credit rate for the four-year term. This line-of-credit is also available to provide letters of credit. A \$10.0 million letter of credit is issued under this arrangement. There was \$2.0 million and \$0 outstanding under this line-of-credit at December 31, 2022 and 2021 respectively.

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In February 2021, due to Winter Storm Uri, Golden Spread closed on a one-year, \$100.0 million line-of-credit with CFC. In May 2021, the \$100.0 million line-of-credit with CFC was replaced with the two-year bridge loan discussed in Note 8.

In May 2017, Golden Spread closed on a five-year \$50.0 million line-of-credit with CoBank. In February 2021, due to Winter Storm Uri, Golden Spread closed on an additional 3-month \$40.0 million line-of-credit with CoBank. In June 2021, Golden Spread amended the five-year \$50.0 million line-of-credit to increase it to \$90.0 million through June 2024. The amended agreement bears interest at Prime plus a credit spread. Letters of credit issued under this agreement at December 31, 2022 and 2021 were \$37.0 million. There were no borrowings outstanding under this line-of-credit at December 31, 2022 or 2021.

In June 2020, Golden Spread renewed, for \$20.0 million (previously \$30.0 million), its unsecured committed line-of-credit from Amarillo National Bank for two years. In October 2021, Golden Spread amended this agreement to increase the commitment to \$40.0 million and extend the term until October 2023. The amended agreement bears interest at Prime plus a credit spread. Borrowings under this line-of-credit at December 31, 2022 and 2021 were \$10.0 million and \$4.2 million, respectively.

(10) Regulatory Liabilities

Regulatory liabilities are \$80.6 million at December 31, 2022, of which \$18.0 million are current liabilities. These regulatory liabilities consist of deferred nonmember electric sales margins of \$50.5 million and deferred non-member revenue to recover costs for major maintenance of \$24.3 million and deferred gain on derivatives of \$5.8 million, discussed in Note 7.

Regulatory liabilities are \$57.4 million at December 31, 2021, of which \$14.1 million are current liabilities. These regulatory liabilities consist primarily of deferred nonmember electric sales margins of \$39.9 million and deferred non-member revenue to recover costs for major maintenance of \$18.1 million.

Nonmember electric sales margins will be recognized in wholesale power sales upon Board approval over a period not to exceed 60 months beyond the deferral year. Deferred non-member revenue to recover costs for major maintenance will be recognized as an offset to operation and maintenance expense upon Board approval in periods when major maintenance expenses are incurred. Each of these regulatory liabilities are designed to smooth rates and help Members plan and budget energy costs.

(11) Asset Retirement Obligation

The asset retirement obligation represents estimated costs associated with legal obligations to retire long-lived assets and is recorded at fair value in the period in which it is incurred by increasing the carrying amount of the long-lived asset. In each subsequent period, the liability is accreted and the capitalized costs are depreciated over the useful life of the asset.

GSPWR's asset retirement obligation is associated with the obligation to restore land-leased site for its wind turbines to a "green field" condition, as stated in its lease agreement. The net asset retirement obligation, which is reported in deferred credits in the accompanying 2022 and 2021 consolidated balance

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sheets, and the changes in the net liability for the years ended December 31, 2022 and 2021, are as follows:

	December 31	
	2022	2021
Beginning balance	\$ 4,482,559	4,295,697
Accretion expense	194,992	186,862
Ending balance	\$ 4,677,551	4,482,559

(12) Income Taxes

At December 31, 2022 and 2021, Golden Spread met all requirements of the 85% Test, and was tax-exempt for the tax years then ended. Since neither Golden Spread nor its disregarded entity, GSEC Properties, engage in an unrelated business, current and deferred income taxes are based solely on the activities of GSPWR.

At December 31, 2022 and 2021, GSPWR had a cumulative financial income of \$1.1 million and \$1.7 million, respectively, and a cumulative federal tax loss carryforward of \$56.9 million and \$52.8 million, respectively (due partially to a permanent difference related to 50% basis increase provided by the Section 1603 Treasury grant program, but also temporary differences due to tax depreciation and changes in the asset retirement obligations). Of these tax loss carryforwards, \$39.4 million have a 20-year carry forward period and expire between 2031 and 2037, while the remaining \$17.5 million have an indefinite carry forward period.

The current tax expense for 2022 and 2021 was \$0. The net deferred income tax expense for 2022 and 2021 was \$0, using the corporate statutory rate of 21%. The related deferred tax assets for 2022 and 2021 of \$12.9 million and \$12.0 million, respectively, computed using the corporate statutory rate of 21%, have been fully reduced by a valuation allowance for the amount net of deferred tax liabilities related to depreciation for 2022 of \$11.1 million and for 2021 of \$9.8 million, based on expected net realizable value. Therefore, no deferred tax asset or liability has been recognized.

(13) Revenue

Golden Spread has identified four revenue streams: Member Power Sales, Non-Member Power Sales, Transmission Revenue and Service Agreement Revenue.

Revenues for Golden Spread are derived primarily from the sale of electric power to Members pursuant to long-term wholesale electric service contracts or "Wholesale Power Contracts" (WPC's). All contracts with Members meet the criteria to be classified as revenue from contracts with customers. These contracts will not expire until the latter of the last unit is in service or 10-years notice is given. Golden Spread has 16 Member contracts to supply power requirements (energy and demand). These contracts are substantially identical, as such Golden Spread does not incur significant contract acquisition costs. Pursuant to these contracts, Golden Spread is obligated to sell and deliver all power requirements to the Members, and the Members are obligated to purchase and receive all electric power and energy required for operations from Golden Spread. The revenues from these wholesale power contracts constituted at least 92% of total

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revenues for the past two years. Golden Spread bills the Member distribution cooperatives monthly, and each Member distribution cooperative is required to pay monthly for power furnished under its wholesale power contract. The contract obligations are satisfied over time when control of electricity is transferred as energy is delivered or transmitted to the Member, and the Member distribution cooperatives simultaneously receive and consume the benefits of the electricity. Energy consumption and demand is read monthly for billing purposes. Revenue is recognized, and Members are invoiced based on consumption reported. Amounts billed to Members in excess of or less than recoverable costs under rate tariffs are accrued as an addition or reduction of revenues and as a current asset or current liability to the Members on the consolidated balance sheets. Contract receivables at December 31, 2022 and 2021 were \$40.3 million and \$34.3 million, respectively. At December 31, 2022 and 2021, contract liabilities representing amounts overcollected from Members included in other accrued expenses totaled \$36.3 million and \$20.9 million, respectively.

Golden Spread also sells excess energy to nonmembers at prevailing market prices as control is transferred.

(14) Pension Benefits

Golden Spread provides pension benefits for substantially all its employees through the National Rural Electric Cooperative Association (NRECA) Retirement and Security Program (RS Plan). The RS Plan is a multiemployer defined-benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. The plan sponsor's Employer Identification Number is 53-0116145, and the Plan Number is 333. Golden Spread makes contributions to the RS Plan as required by the plan agreement. This multiemployer plan is available to all member cooperatives of NRECA. A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers. Golden Spread's contribution to the RS Plan in 2022 and 2021 represented less than 5% of the total contributions made to the RS Plan by all participating employers. Golden Spread's contributions to the RS Plan were \$3.6 million in 2022 and \$3.3 million in 2021. There have been no significant changes that affected the comparability of total employer contributions for 2022 and 2021. In the RS Plan, a "zone status" determination is not required and, therefore, not determined under the Pension Protection Act (the Act) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was more than 80% funded on January 1, 2022 and 2021 based on the Act funding target and the Act actuarial value of assets on those dates. Because the provisions of the Act do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

At the December 2012 meeting of the Insurance and Financial Services Committee (the Committee) of the NRECA Board of Directors, the Committee approved an option to allow participating cooperatives in the RS Plan to make a contribution prepayment and reduce future required contributions. The prepayment amount is a cooperative's share, as of January 1, 2013, of future contributions required to fund the RS Plan's unfunded value of benefits earned to date using RS Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a cooperative's annual RS Plan required contribution as

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of January 1, 2013. After making the prepayment, for most cooperatives, the billing rate is reduced by approximately 25%, retroactive to January 1, 2013. The 25% differential in billing rates is expected to continue for approximately 15 years. However, changes in interest rates, asset returns and other plan experience different from expected, plan assumption changes, and other factors may have an impact on the differential in billing rates and the 15-year period. On March 29, 2013, Golden Spread made a prepayment of \$3.6 million to the RS Plan. Golden Spread is amortizing this amount over 10 years.

Golden Spread also has a defined-contribution plan (the Savings Plan), which was established under Code Section 401(k) of the Internal Revenue Code. Under the Savings Plan, Golden Spread matches employee contributions up to a maximum of 4% of each participating employee's salary. Employer contributions to the plan for each of the years ended December 31, 2022 and 2021, was \$0.5 million.

Golden Spread has an unfunded nonqualified deferred compensation plan, Executive Benefit Restoration Plan (the EBR Plan), for certain highly compensated employees that were not in the Pension Restoration Plan. The EBR Plan provides benefits for compensation that is in excess of the limits applicable to the RS Plan. Distributions from this plan are funded directly by Golden Spread upon vesting of eligible employees. The liability associated with the EBR Plan was \$1.6 million and \$2.1 million for the years ended December 31, 2022 and 2021, respectively. Such amounts are included in deferred credits in the accompanying consolidated financial statements. Periodic benefit costs of \$0.5 million and \$0.4 million were recorded in 2022 and 2021, respectively.

(15) Significant Customers

Golden Spread has four Members whose power purchases represent at least 10% of Golden Spread's annual power sales to its Members for the years ended December 31, 2022 and 2021, as follows:

	December 31, 2022	
	Sales to Members	Total sales
South Plains Electric Cooperative, Inc.	13 %	12 %
Rita Blanca Electric Cooperative, Inc.	11	10
Deaf Smith Electric Cooperatives, Inc.	11	9
Tri-County Electric Cooperative, Inc.	10	9

	December 31, 2021	
	Sales to Members	Total sales
South Plains Electric Cooperative, Inc.	14 %	13 %
Deaf Smith Electric Cooperatives, Inc.	11	10
Rita Blanca Electric Cooperative, Inc.	11	10
Tri-County Electric Cooperative, Inc.	11	10

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(16) Commitments and Contingencies

Golden Spread is obligated under a capacity agreement with a third-party supplier to purchase deliverable capacity. These obligations total approximately 180 MW and run from June 2023 to September 2023; and 182 MW from June 2024 to September 2024.

Golden Spread is also obligated under long-term power purchase agreements with certain of its Members and third-party suppliers to purchase energy in the ERCOT region. These power purchase agreements total up to 180 MW and have terms of varying lengths, terminating from 2027 through 2032.

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

(17) Leases

Golden Spread has several noncancellable operating leases, primarily for wind generation facilities, office space, and data centers. If a lease contains an option to extend or terminate the lease and there is reasonable certainty the option will be exercised, the option is considered in the lease term and cash flows from inception. Golden Spread's leases generally do not include termination options for either party to the lease. None of the Golden Spread lease agreements contain material residual value guarantees, material bargain purchase options or material restrictive covenants. Payments due under the lease contracts include fixed payments, except for the wind generation facilities which have variable payments based on the power that is generated.

Operating Leases - Golden Spread enters into various leases for office space, data centers, and the land upon which GSPWR operates. These leases have varying terms and conditions and expire at various times through 2036. Operating leases are included in Other Assets as right-of-use (ROU) assets and other liabilities for lease liabilities on the consolidated balance sheet. ROU assets represent Golden Spread's right to use an underlying asset for the lease term, and lease liabilities represent Golden Spread's obligation to make lease payments arising from the lease. Operating ROU assets and liabilities are recognized based on the discounted present value of the lease payments over the lease term at the discount rate which is based on the risk-free rate.

Golden Spread also has power purchase agreements (PPAs) for wind and solar energy and treats these contracts as operating leases. These leases have varying terms and conditions and expire at various times through 2031. These PPAs require variable payments based on net output. These PPAs require variable payments that do not depend on an index or a rate; therefore these capacity payments are not accounted for as consideration in the contract by Golden Spread. As a result, Golden Spread will not recognize a lease liability and ROU asset for the PPA operating leases. The amounts paid under these PPAs will be expensed as purchased power when incurred.

Finance Leases - Golden Spread does not have any finance leases.

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For the year ended December 31, 2022 components of lease cost include the following:

Operating lease expense	\$	1,279,114
Variable lease expense		17,779,498
Short-term lease expense		<u>22,903</u>
Total lease expense	\$	<u><u>19,081,515</u></u>

Golden Spread did not have any sublease income or sale and leaseback transactions for the years ended December 31, 2022 and 2021.

Supplemental balance sheet information related to operating leases was as follows:

	<u>Classification</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Assets:			
Noncurrent ROU assets	Electric plant in service	\$ 12,449,716	13,212,937
Liabilities:			
Current lease liabilities	Current lease liabilities	\$ 1,021,674	763,222
Noncurrent lease liabilities	Lease liability	11,428,042	12,449,715

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As of December 31, 2022, maturities of noncancellable operating lease liabilities were as follows:

Years ending December 31:	
2023	\$ 1,235,236
2024	1,227,437
2025	1,141,648
2026	1,042,888
2027	1,042,888
Thereafter	<u>8,278,829</u>
Total minimum lease payments	13,968,926
Amounts representing interest	<u>(1,519,210)</u>
Present value of minimum lease payments	12,449,716
Current maturities	<u>(1,021,674)</u>
Noncurrent lease liabilities	<u>\$ 11,428,042</u>

Other information related to operating leases as of December 31, 2022 was as follows:

Supplemental cash flow information:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ (1,285,891)
Operating cash flows from PPA operating lease	(17,526,938)

Weighted average remaining lease term (in years) 12.03 %

Weighted average discount rate 1.74

Golden Spread adopted the new lease standard effective January 1, 2022 using the modified retrospective transition approach. As a result, reporting periods in the consolidated financial statements beginning January 1, 2022 reflect the implementation of ASC Topic 842, while prior periods continue to be reported in accordance with Topic 840, *Leases* (ASC Topic 840).

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Golden Spread operating lease expense for the year ended December 31, 2021 was as follows:

		<u>2021</u>	
Lubbock office space	\$	165,278	
Wind Ranch land lease – minimum rent		846,874	
Wind Ranch – production royalty payments		156,186	
Data centers		<u>301,184</u>	
Total	\$	<u>1,469,522</u>	

The Lubbock office space lease is from April 1, 2013 through March 31, 2031. Golden Spread's subsidiary, GSPWR, has 34 wind turbines that were installed on land that has nine separate land leases. Upon commencement of commercial operations in September 2011, and the beginning of the first extended lease term, GSPWR is obligated to pay land lease payments comprising minimum rent payments and production royalty payments of 4% to 6% of production that exceed the minimum rent payments. In December 2016, Golden Spread entered into a lease for data centers. The data center leases currently expire in December 2022 and November 2024. The future lease payments are listed below:

		<u>Data centers</u>	<u>Lubbock office</u>	<u>Wind Ranch land lease</u>
2022	\$	250,415	180,870	846,874
2023		95,988	180,870	846,874
2024		87,989	180,870	846,874
2025		—	180,870	846,874
2026		—	180,870	846,874

(18) Other Accrued Expenses

Other accrued expenses at December 31, 2022 and 2021 are as follows:

		<u>2022</u>	<u>2021</u>
Accrued taxes	\$	4,746,400	5,332,167
Accrued interest		5,999,274	6,383,332
Member refunds		36,268,815	20,605,848
Accrued plant invoices		13,627,272	12,554,763
Accrued fuel expense		11,470,499	1,778,556
Derivative liabilities		11,870,950	1,127,557
Other		<u>3,129,388</u>	<u>4,353,824</u>
Total other accrued expenses	\$	<u>87,112,598</u>	<u>52,136,047</u>

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(19) Subsequent Events

Golden Spread's management has evaluated subsequent events from the balance sheet date through April 24, 2023, the date at which the consolidated financial statements were available to be issued.